

Notice of second written procedure for bonds issued by Smallville AB (publ)

To the holders of the up to SEK 150,000,000 (or its equivalent in NOK or EUR) Senior Secured Fixed Rate Bonds 2019/2022 with ISIN: SEK BONDS SE0012230209, EUR BONDS SE0012230217 and NOK BONDS NO0010843600 (the "Bonds") issued by Smallville AB (publ) (the "Issuer") on 20 February 2019.

Capitalized terms not otherwise defined in this notice shall have the meaning given to them in the terms and conditions relating to the Bonds (the "Terms and Conditions").

This voting request for procedure in writing will, with respect to SEK and EUR Bonds be sent by regular mail on 2 March 2022 to Bondholders directly registered in the debt register (Sw. skuldbok) kept by Euroclear Sweden AB and with respect to NOK Bonds to direct registered owners and registered authorised nominees of the NOK Bonds and EUR Bonds registered with Verdipapirsentralen ASA (each of Euroclear Sweden AB and Verdipapirsentralen ASA, a "CSD"). This voting request has also been published on the websites of the Issuer and the Agent (as defined below), in accordance with the terms and conditions of the Bonds (the "Terms and Conditions"). If you are an authorised nominee under the Swedish Financial Instruments Accounts Act or an authorised nominee under the Norwegian Securities Register Act of 2002 no.64 (No. Verdipapirregisterloven) or if you otherwise are holding Bonds on behalf of someone else on a Securities Account, please forward this notice to the holder you represent as soon as possible. For further information, please see below under section B (Voting rights).

On 10 February 2022, a notice of written procedure was sent to the Bondholders, regarding the Proposal (as defined below) (the "**First Written Procedure**"). The voting period expired on 1 March 2022. The number of votes obtained proved to be insufficient in order to form a quorum. However, pursuant to the Terms and Conditions, the Issuer retains a right in these cases to call for a second Written Procedure where the quorum requirement does not apply.

On behalf of and as requested by the Issuer, the Agent, acting in its capacity as Agent for the Bondholders under the Terms and Conditions, hereby initiates a second written procedure (the "**Second Written Procedure**") and together with the First Written Procedure referred to as (the "**Written Procedures**"), whereby the Bondholders can approve or reject a proposal from the Issuer regarding certain waivers and amendments to the Terms and Conditions. The proposal by the Issuer (the "**Proposal**") and the background thereto is described in Section A (*Background and Proposal*).

Eligible votes received by the Agent in the First Written Procedure are valid in the Second Written Procedure, provided that the voting Bondholders have so agreed by ticking the appropriate box in the voting form in the First Written Procedure. If a Bondholder did not approve that the Bondholder's vote should be valid in a second Written Procedure, the Bondholder has to submit a new voting form in this Second Written Procedure.

NO DUE DILIGENCE CARRIED OUT IN CONNECTION WITH THE WRITTEN PROCEDURES

Please note that no due diligence whatsoever (legal, financial, tax, environment or otherwise) has been carried out by the Agent or any of its advisors or any other person for the purposes of the Written Procedures or with respect to the Issuer or its assets, why this notice for the Second Written Procedure does not contain any risk factors or other disclosures with respect to the Issuer or its assets that have been produced as a result of any such due diligence.

LIMITATION OF LIABILITY OF THE AGENT

The Proposal is presented to the Bondholders by the Agent on behalf of the Issuer, without any evaluation, advice or recommendations from the Agent to the Bondholders whatsoever. The Agent has not assessed the Proposal (and its effects, should it be adopted) from a legal, commercial, financial or other perspective and the Agent expressly disclaims any liability whatsoever related to the content of this notice and the Proposal (and its effects, should it be adopted). The Agent has assumed that documentation and other

evidence (if any) delivered to it pursuant the Proposal is accurate, correct and complete and the Agent has not verified the contents of any such documentation. The Bondholders are recommended to seek their own professional advice in order to independently evaluate whether the Proposal (and its effects) is acceptable or not. Neither the Agent, nor any of its advisors has carried out any due diligence in connection with the Proposal and no party can guarantee any satisfactory outcome of the Proposal set out herein.

ALL BONDHOLDERS ARE STRONGLY ENCOURAGED TO REVIEW AND CONSIDER THE PROPOSAL

Before making a decision whether to accept the Proposal, each Bondholder is advised to carefully review the content of this document and the proposed resolution set out in Paragraph 2 (*Request for approval and consents*) of Section A (*Background and Proposal*) below and the limitation of liability provision set out above. If a Bondholder is uncertain as to the content and significance of this document and the measures the Bondholder should take, the Bondholder is advised to consult its own legal, tax or financial adviser for this purpose. The Agent will not, and is under no obligation to, update this document.

PARTICIPATION IN THE SECOND WRITTEN PROCEDURE

Bondholders may participate in the Second Written Procedure by completing and sending the voting form attached below to the Agent. The Agent must **receive the voting form no later than by 12.00 (CET) on 21 March 2022** by mail, via courier or e-mail to the addresses indicated below. Votes received thereafter will be disregarded. Please note that the Second Written Procedure may expire early if the requisite majority consents of the total Adjusted Nominal Amount have been received before 21 March 2022.

To be eligible to participate in the Second Written Procedure a person must fulfil the formal criteria for being a Bondholder on 2 March 2022 (the "Record Date"). This means that the person must be registered on a Securities Account with a CSD as a direct registered owner (*direktregistrerad ägare*) or authorised nominee (*förvaltare*) with respect to one or several Bonds.

If you have an interest in a Bond but are not registered as a direct registered owner or authorised nominee on a Securities Account, you need to obtain a power of attorney or other proof of authorisation from the person who fulfils the formal criteria for being a Bondholder on the Record Date, to be able to participate. An alternative may be to ask the person that is registered as a Bondholder and holds the Bonds on your behalf to vote in its own name as instructed by you. For further information on voting, please see under *Voting rights* in Section B (*Decision procedure*).

Please contact the securities firm you hold your Bonds through if you do not know how your Bonds are registered or if you need authorisation or other assistance to participate.

Important Dates

Record Date (for voting): 2 March 2022

Last time and day to vote: 12.00 CET on 21 March 2022

A. Background and Proposal

1. Background and current situation

Background

Unfortunately, the market conditions have become a lot more complicated due to the ongoing Covid-19 pandemic, resulting in a delay of the projects by just over a year. This has mainly happened because each and every step in the processes have taken longer time to complete; much longer processing times for building permissions, longer times to complete tenders (due to sharp price increase for wood, steel and concrete), delays in delivery in building materials, restrictions for construction staff, etc. Moreover, the current wording of the Terms and Conditions have the effect that the Issuer cannot fulfill all of its obligations under them and optimally develop and carry out the projects. Due to the aforementioned circumstances, certain waivers regarding the Issuer's obligations under the Terms and Conditions and certain amendments to the Terms and Conditions are proposed. Moreover, it has not been possible to pay Interest to the Bondholders. Prolonging the tenor of the Bonds will allow the Issuer to repay the Bonds with cashflow generated from the projects.

Notwithstanding the aforementioned circumstances, the projects in the portfolio are generally going well. The project "Project Mariefreds Strand" first phase is in full production and all of the houses of phase 1 and more than half of the houses of phase 2 have been sold. Furthermore, is the zoning plan for the new very large project in "Project Trosa" expected to be adopted earlier (2022) than scheduled, which could lead to increased liquidity earlier than calculated. Project Skokloster II (Mälärbyn) has also been sold to increase inflow of liquidity faster to make a partial repayment of the Bonds. During the period CEO Mikael Rosenberg has stepped down due to personal reasons and has been replaced as CEO by founder and long-term Director Lars Kristiansson, however Mr. Rosenberg continues to work part-time in the organization. A more detailed description of the projects in the portfolio, a cash flow forecast and a pro forma is enclosed hereto as Appendix 1.

Proposal

The "Proposal" contains:

A) Amendments to the Terms and Conditions as set out in Appendix 2. The proposed amendments aim to implement the following measures:

- Extend the tenor of the Bonds by just over a year until 30 June 2023.
- Increase the Interest Rate from 10 per cent. *per annum* to 11 per cent. *per annum*, from (but excluding) 22 November 2021.
- Clarify that "development costs" include all reasonable costs incurred relating to constructing, rehabilitating, financing, marketing and, direct or indirect, sale of Property, including but not limited to costs for researching, project management, architecting, material, labour, rental costs, legal costs, advertising, tax and other sale costs.
- Allow the Issuer to pay Interest and default interest with funds from income that is deposited on the Deposit Account.
- Clarify the conditions regarding replacement of Transaction Security if assets are sold to a third party that is not a condominium association to make it clear that incurred receivables shall be pledged and that if such receivable is repaid, 90 per cent of the repaid amount shall be deposited on the Deposit Account.
- Add that the Issuer shall amortise an amount equivalent to SEK 25,000,000 on 20 May 2022 and may amortise a voluntary amount, however not less than an amount equivalent to SEK 10,000,000, on any Interest Payment Date.

B) A request that the Bondholders irrevocably waive the following Events of Default:

- Part of the income from sale of Property to a third party (MSEK 18 out of MSEK 20) regarding “Project Mariefreds Strand phase 4” was used for payment of Interest to Bondholders on 20 May 2021 and to pay development costs (i.e. costs relating to constructing, rehabilitating, financing, marketing, direct and indirect sale of Property, researching, project management, architecting, material, labour, rental costs, legal costs, advertising, tax and other sale costs) and costs for general corporate purposes notwithstanding that these funds had not been deposited on the Deposit Account beforehand. Moreover, the income from sale of Property to a third party (MSEK 6,8) regarding “Project Härnevi” was used for payment of Interest to Bondholders and to pay development costs (see aforementioned clarification) and costs for general corporate purposes notwithstanding that these funds had not been deposited on the Deposit Account beforehand.
- The outstanding Bonds will not be redeemed on 20 February 2022.
- The payment of Interest that was supposed to be made to Bondholders on 20 August 2021, 22 November 2021 and 21 February 2022 will instead be made ten (10) Business Days after the Proposal has been duly approved, together with payment of default interest.

2. Request for approval and consents

The Issuer hereby kindly asks the Bondholders to:

1. approve and consent to the Proposal set out above;
2. approve and consent to the amendments to the Terms and Conditions, in order to implement the Proposal and as described in Section 2 (*Reorganization and Amendments to the Terms and Conditions*) above;
3. authorize the Agent to (on behalf of the Bondholders) take all such steps as may be deemed necessary or desirable to implement the Proposal and/or to achieve its purpose, to execute and enter into any documents that may be necessary in connection with the Proposal including any consequential amendments to the Terms and Conditions;
4. provided that the Issuer has not withdrawn the Proposal, irrevocably waive any Event of Default which are not defined as Event of Default under the proposed amended Terms and Conditions for the period between the end of the voting period under the First Written Procedure and the end of the voting period under the Second Written Procedure (up to and including the date of execution of the amended and restated Terms and Conditions); and
5. to acknowledge the limitation of liability set out in above under the heading "LIMITATION OF LIABILITY OF THE AGENT".

B. Decision procedure

The Agent will determine whether replies received are eligible to participate in the Second Written Procedure, continuously calculate the replies provided in respect of the Proposal and determine the result of the Second Written Procedure as soon as possible based thereon.

Once a requisite majority of consents of the Adjusted Nominal Amount for which Bondholders reply in the Second Written Procedure have been received by the Agent, the relevant decision shall be deemed to be adopted, even if the time period for replies in the Second Written Procedure has not yet expired.

Information about the decision taken in the Second Written Procedure will be sent by notice to the Bondholders, published on the websites of the Issuer and the Agent and published by way of press release by the Agent.

Minutes from the Second Written Procedure shall at the request of a Bondholder be sent to it by the Issuer or the Agent, as applicable.

IF THE PROPOSAL IS APPROVED BY THE SECOND WRITTEN PROCEDURE IT WILL BE BINDING ON ALL BONDHOLDERS WHETHER THEY PARTICIPATED IN THE SECOND WRITTEN PROCEDURE OR VOTED AGAINST THE PROPOSAL OR NOT, IN ACCORDANCE WITH THE TERMS AND CONDITIONS.

Voting rights

Anyone who wishes to participate in the Second Written Procedure must on 2 March 2022 (the "Record Date"):

- (i) be registered on the Securities Account as a direct registered owner (*direktregistrerad ägare*); or
- (ii) be registered on the Securities Account as authorised nominee (*förvaltare*),

with respect to one or several Bonds.

Bonds registered with a nominee

Euroclear Sweden AB

If you are not registered as a direct registered owner, but your Bonds are held through a registered authorised nominee or another intermediary, you may have two different options to influence the voting for the Bonds.

1. You can ask the authorised nominee or other intermediary that holds the Bonds on your behalf to vote in its own name as instructed by you.
2. You can obtain a Power of Attorney (Schedule 2) from the authorised nominee or other intermediary and send in your own Voting Form based on the authorisation. If you hold your Bonds through several intermediaries, you need to obtain authorisation directly from the intermediary that is registered in the debt register as bondholder of the Securities Account, or from each intermediary in the chain of bondholders, starting with the intermediary that is registered in the debt register as a Bondholder of the Securities Account as authorised nominee or direct registered owner.

Whether one or both of these options are available to you depends on the agreement between you and the authorised nominee or other intermediary that holds the Bonds on your behalf (and the agreement between the intermediaries, if there are more than one).

The Agent recommends that you contact the securities firm that holds the Bonds on your behalf for assistance, if you wish to participate in the Second Written Procedure and do not know how your Bonds are registered or need authorisation or other assistance to participate. Bonds owned by the Issuer, another Group Company or an Affiliate do not entitle to any voting rights.

Verdipapirsentralen ASA

Directly registered owners can vote via VPS Investortjenester. (Only applicable for Norwegian holders with VPS account in Norway).

You can ask the authorised nominee or other intermediary that holds the Bonds on your behalf to vote on your behalf as instructed by you. If the Bonds are held in custody - i.e., the owner is not registered directly in the VPS - the custodian must confirm: (i) the ultimate 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 Agent to vote on its behalf, in which case the authorisation form of Schedule 2 (Power of Attorney/Authorisation) also serves as a proxy. A duly signed authorisation

form, authorising the Agent to vote, must then be returned to the Agent in due time before last day for replies (by scanned e-mail, courier or post).

You can obtain a power of attorney or other authorisation (proof of ownership) from the authorised nominee or other intermediary and send in your own voting form based on the authorisation. If you hold your Bonds through several intermediaries, you need to obtain authorisation directly from the intermediary that is registered in the Securities Account, or from each intermediary in the chain of holders, starting with the intermediary that is registered in the Securities Account as authorised nominee or direct registered owner.

The Agent recommends that you contact the securities firm that holds the Bonds on your behalf for assistance, if you wish to participate in the Second Written Procedure and do not know how your Bonds are registered or need authorisation or other assistance to participate. If you are not registered as a direct registered owner, but your Bonds are held through a registered authorised nominee (*förvaltare*) or another intermediary, you may have two different options to influence the voting for the Bonds.

Quorum

No quorum requirement applies to this Second Written Procedure pursuant to Clause 17(j) of the Terms and Conditions.

Majority

Pursuant to Clause 17(g) of the Terms and Conditions, **at least sixty-six and two thirds (66 2/3) per cent** of the Adjusted Nominal Amount for which Bondholders reply in the Second Written Procedure must consent to the Proposal in order for it to be approved.

Final date to vote in the Second Written Procedure

The Agent must have received the votes by mail, courier or e-mail to the address indicated below no later than by **12.00 (CET) on 21 March 2022**. Votes received thereafter will be disregarded.

Address for sending replies

By regular mail:

Intertrust (Sweden) AB
Attn: Maria Landers, P.O. Box 16285, 103 25 Stockholm

By courier:

Intertrust (Sweden) AB
Attn: Maria Landers, Sveavägen 9, 10th floor, 111 57 Stockholm

By e-mail:

trustee@intertrustgroup.com

VOTING FORM

For the Second Written Procedure initiated on 2 March 2022 of the up to SEK 150,000,000 (or its equivalent in NOK or EUR) Senior Secured Fixed Rate Bonds 2019/2022 with ISIN: SEK BONDS SE0012230209, EUR BONDS SE0012230217 and NOK BONDS NO0010843600 (the "Bonds") issued by Smallville AB (publ) (the "Issuer") on 20 February 2019.

The Issuer requests the Bondholders to approve the Proposal set out in the notice for the Second Written Procedure. The Agent is hereby empowered to enter into all necessary documentation required to implement the Proposal, in the event the Proposal is approved.

Reply

Name of person/entity voting: _____

Nominal Amount voted for: _____

The undersigned hereby (put a cross in the appropriate box) votes for alternative:

A) Approve

B) Reject

C) Refrain from voting

with respect to the Proposal.

Signature

Name in print:

Contact information

Email:

Tel:

NOTE: Please attach a power of attorney/authorization if the person/entity voting is not registered on the Securities Account as a direct registered owner or authorized nominee. The voting form shall be signed by an authorized signatory. A certified copy of a registration certificate or a corresponding authorization document for the legal entity shall be appended to the voting form for any legal entity voting. The registration certificate, where applicable, may not be older than one year.

POWER OF ATTORNEY/AUTHORISATION¹

For the Second Written Procedure initiated on 2 March 2022 of the up to SEK 150,000,000 (or its equivalent in NOK or EUR) Senior Secured Fixed Rate Bonds 2019/2022 with ISIN: SEK BONDS SE0012230209, EUR BONDS SE0012230217 and NOK BONDS NO0010843600 (the "Bonds") issued by Smallville AB (publ) (the "Issuer") on 20 February 2019.

Authorized Person²: _____

Nominal Amount³: _____

Grantor of authority⁴: _____

We hereby confirm that the Authorized Person specified above has the right to vote for the Nominal Amount set out above.

We represent an aggregate Nominal Amount of⁵: _____

We are (put a cross in the appropriate box):

Registered as authorized nominee on a Securities Account

Registered as direct registered owner on a Securities Account

Other intermediary and hold the Bonds through⁶ _____

Date:

Signature

¹ Use this form to confirm a person's/entity's authority to vote if the person/entity is not registered as a direct registered owner or authorized nominee.

² Insert the name of the person/entity that should be authorized to vote.

³ Insert the aggregate nominal amount the Authorized Person should be able to vote for.

⁴ Insert the name of entity/person confirming the authority.

⁵ The total Nominal Amount the undersigned represents

⁶ Mark this option if the undersigned is not registered as authorized nominee or direct registered owner in the Securities Account kept by Euroclear Sweden. Please insert the name of the firm the undersigned holds the Notes through.

For further questions please see below.

To the Issuer:

Smallville AB (publ), Lars Kristiansson, lars@lilleby.se, +46 8 23 52 00

To the Agent:

Intertrust (Sweden) AB, Beatrice Gustafsson, trustee@intertrustgroup.com, +46 70 141 10 82

Stockholm on 2 March 2022

Intertrust (Sweden) AB

as Agent



Supporting material to Second Written Procedure

Smallville AB (publ)

Senior Secured Bonds of SEK 105m

March 2022



Disclaimer

This document is Smallville AB (publ)'s description of the document sent out by the Agent Intertrust (Sweden) AB on 2022-03-02 to the bondholders in Smallville AB (publ).

This document has been compiled by Smallville AB (publ) (**the “Company”**) and no third-party validation of the information in this document has been performed. Nor has any external audit of any kind been carried out. The presentation is only a summary of the proposal regarding changes to terms and conditions and in the event of deviations from the information in the Request for Change of Terms and Conditions, the Request for Change of Terms and Conditions shall have preferential right of interpretation. The information in the document is offered and provided to a limited group of investors. The document is not intended for the public and does not constitute advice to the public or any other party than those referred to above. The presentation is strictly confidential and may not, without permission, be copied, published, distributed, or transmitted in its entirety or in parts by anyone in any form or purpose. The information in this document does not constitute an investment offer in a security of any kind, parts of or the presentation in its entirety shall not be the basis for or relied upon in any investment decision in any security. When an investment decision is made, each potential investor must rely on their own evaluation, analysis and investigation of the Company and the terms and conditions as a basis for a potential investment. There may be risks related to the Company's business operations, earnings and financial position that have not been identified. All information in this document must be carefully considered. There are no guarantees that the Company will be able to fulfill its obligations under the bonds referred to in this document.

No updated risk factors

In connection with the request for changes in terms and conditions regarding the bond loan, additional risks may have arisen. No risk factors have been updated.

Liability insurance

It is hereby confirmed that the board of Smallville AB (publ) is responsible for the information in this document and hereby assured that all reasonable precautions have been taken to ensure that the information in the material, as far as the board is aware, is correct and correspond with actual conditions and that nothing is omitted which could affect its meaning.

// The board of Smallville AB (publ)

Management comments

Unfortunately, the market conditions have become a lot more complicated due to the ongoing Covid-19 pandemic, resulting in a delay of the projects by just over a year. This has mainly happened because each and every step in the processes have taken longer time to complete; much longer processing times for building permissions, longer times to complete tenders (due to sharp price increase for construction materials such as wood, steel and concrete), delays in delivery in building materials, pandemic restrictions for construction staff, etc.

Notwithstanding the aforementioned circumstances, the projects in the portfolio are generally progressing well. The project “Mariefreds Strand” first phase is in full production and sold out. Sales of phase II will commence within the next few weeks with high demand. Furthermore, is the zoning plan for the new, very large project in Trosa expected to be adopted earlier (2022) than scheduled, which could lead to increased liquidity.

Project Skokloster II (Mälarvyn) has just been sold to increase inflow of liquidity, to be able to make a partial repayment of the Bonds.

We have furthermore just signed an agreement regarding development of land in Österåker for a Lilleby and have three more projects in the short term pipeline, which we expect to sign during Q1. The agreements are very favourable as they stipulate no money down, but will position Lilleby to be able to develop the building rights and

pay for them when they are ready to be sold on to homeowners.

All in all we have a very favourable outlook on Lillebys future and the journey we have started, we just need a little more patience and time to make full repayment of the Bonds.



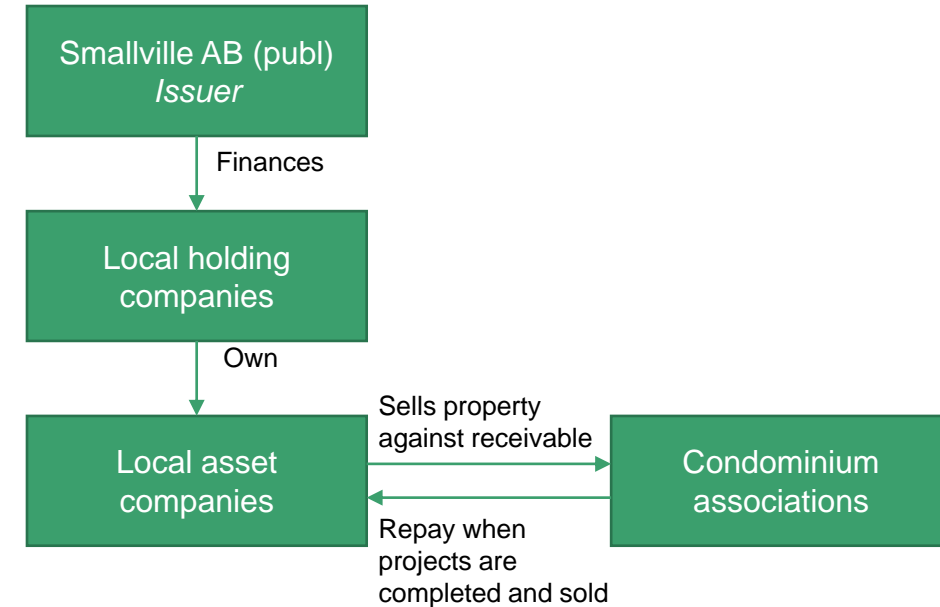
Lars Kristiansson
CEO and partner

Background

Description of bond and breaches

- 20th of February 2019 Smallville AB (publ) ("**Smallville**" or the "**Company**") issued Senior Secured Bonds (the "**Bonds**") denominated in SEK, NOK and EUR of approx. SEK 75m
- The Company completed a subsequent bond issue of SEK 30m in March 2020, increasing the volume to approx. SEK 105m
- The total use of proceeds in the two bond issuances has been:
 - SEK 52,2m has been paid towards various property acquisitions
 - SEK 39,1m has been paid towards a blocked account to be used for paying property development costs
 - SEK 3m has been paid towards general corporate purposes
 - SEK 10,7m has been paid in transaction costs
- In January 2021 the property to be used for Mariefreds Strand phase 4 was sold, however, the proceeds were not deposited on the blocked account
- Furthermore, another property relating to the project "Härnevi" was sold for SEK 6,8m, however, the proceeds were not deposited on the blocked account
- Furthermore, the interest payments scheduled in august 2021 and November 2021 could not be made
- The groups operations has been impacted negatively by Covid-19
- The Company foresee that they will not be able to repay the Bonds at the maturity date and therefore would like to make certain changes to the terms and conditions
- Certain additional changes are proposed so that the Company can operate more efficient

Simplified structure



Purpose and business idea for the company: Smallville is a property developer that sells condominiums, rental properties and freehold properties

Security system for the bondholders: When a property is sold, 90% the proceeds from the projects is deposited on a blocked account that is pledged towards the bondholders. Before the projects are sold, the excess value (project value minus construction financing) is pledged directly or indirectly to the bondholders.

Status and portfolio

Comments on the progress since initiation

- While suffering some initial profitability issues the first project in the structure, Englamarken, was completed and the proceeds of SEK 9m was deposited on the blocked account
- The project Mälurvyn suffered from a lengthy water examination, however, it was approved and have building permit. The project has now been sold
 - *The buyer of the project is a company controlled by the owners of Smallville at a price of SEK 18m whereof SEK 3m was paid cash and SEK 15m paid on an short term amortization plan. The price of SEK 18m was higher than what was offered in the market and a current external valuation*
- Mariefreds Strand, the first true Smallville/Lilleby has progressed well, albeit with some delays. The first phase is sold out and under construction and the second phase will be sold as individual plots instead of condominiums
 - *The company expects completion of all phases 2022 – 2023*
- The project Mariefreds Strand phase 4, a neighbouring property to the Mariefreds Strand project was acquired in the subsequent bond issue
 - *The project acquired at a price of SEK 10m, and sold at a price of SEK 20m, however, the total proceeds was not deposited on the blocked account, even though it has been used for development and general company purposes*
- The remaining projects are in early stage with re-zoning development ongoing
- The Lilleby-concept is received very well among municipalities and landowners, paving way for future project profitability

Projects that has been managed in the Smallville structure

Project name	Description	Status
Englamarken	Condominium project that was under development when put into the Structure. A receivable of SEK 9m was pledged as collateral.	Completed, proceeds of SEK 9m was deposited on the blocked account
Mälurvyn	Condominium projects that was going to be developed.	The project was recently sold to a company controlled by the owners of Smallville
Mariefred Strand Phase 1 – 3	Condominium project that is under construction. The project has been changed to 4 phases.	Under construction and sales is ongoing
Mariefred Strand phase 4	Condominium project that was acquired for SEK 10m	The project has been sold
Härnevi	Prospective project halted due to uncertain plan from county	The project has been sold
Skokloster Slottsby	Land allocation to develop a new zoning plan.	The zoning plan is under development
Bro Park	Land allocation to develop a new zoning plan	Re-zoning currently stopped due to allergenic survey
Trosa	The company has the option to by 12 acres (Sw. <i>hektar</i>) of land once a new zoning plan is completed	The zoning plan is under development

Mariefred Strand

The project

- Mariefred Strand is the first Smallville (SW. Lilleby) and serves as a pilot project of the ambition to construct small-scale communities
- After some initial delays, partly due to Covid-19, the Company started to sell the condominium in phases
- Initially the plan was to construct in 3 phases, however, recent changes have been made to 4 phases
- Phase 1 has been sold out (28 houses in condominium form) and is under construction
 - *The construction is also financed through a financing agreement with a alternative credit fund*
- Phase 2 started to be sold as condominiums and approx. half was booked or sold
 - *However, as it best fit the current market, the Company has pivoted and will instead sell the intended houses as plots instead of condominiums*
 - *The phase has 19 lots*
- Phase 3 and 4 consists of total 50 houses sold as condominiums
- Though there has been some delays, the updated project budget shows a project result of SEK 58m, compared to SEK 35m, which was presented at the latest subsequent bond issue

Budget update

	Budget Mar 20	Updated budget	Paid expenses
Homes	110	97	
Sqm	10 500	12 160	
Owners purchase price	294 000 000	391 020 000	
Long term financing	114 450 000	106 754 600	
Sum revenue	408 450 000	497 774 600	
Production cost	inc VAT	inc. VAT	
Property acquisition	55 000 000	55 000 000	55 000 000
Construction	231 000 000	299 937 114	10 000 000
Ground works	31 500 000	36 480 000	750 000
Planning	13 200 000	12 000 000	
Power costs	0	0	
Electricity attachment	2 200 000	3 472 500	2 092 500
Fiber	687 500	631 250	200 000
Brokerage fees	2 200 000	1 884 000	854 000
Garbage	0	0	
Carport and storage	0	0	
Consulting fees	5 000 000	5 000 000	3 137 500
Fees to municipalities	2 200 000	2 000 000	500 000
Mortgage certificates	2 289 000	2 135 092	1 420 000
Financing costs	4 824 750	5 971 230	
Risk reserve	11 550 000	14 996 856	807 500
Sum costs	361 651 250	439 508 042	74 761 500
Project result	46 798 750	58 266 558	

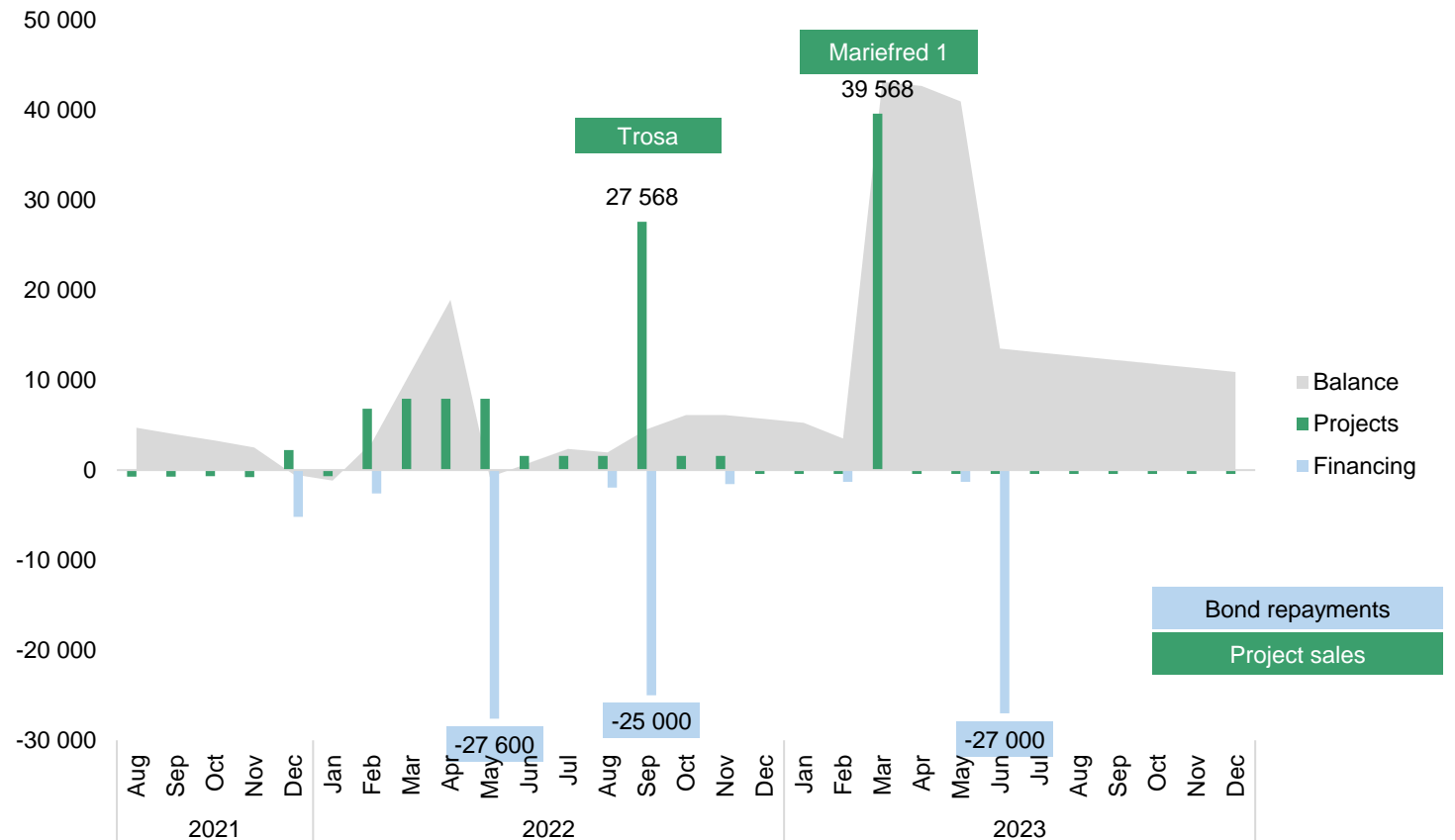
The Company's repayment plan

Comments

- Smallville entered the year with a cash balance of approx. SEK 5m
- With the sale of Mälaryn the Company will receive cash inflows over the next couple of months
- Equivalently, with the changed strategy to sell plots in phase 2 of Mariefred Strand, the company budgets with inflows of approx. SEK 7m per month during Q1
- Other larger inflows in the time period includes SEK 26m from an expected sale of the Trosa-project to a JV and the completion and final payment from Mariefred Strand phase 1 of SEK 40m in March 2023
- The Company aims at two partial repayments of SEK 25m in May 2022 and September 2022
- The final payment of the bond is expected in mid 2023, with partial proceeds from refinancing

Liquidity plan

Smallville's consolidated liquidity forecast (SEKk)



Detailed repayment plan

Liquidity plan	2022												2023																
	Aug	Sep	Okt	Nov	Dec	Jan	Feb	Mar	Apr	Maj	Jun	Jul	Aug	Sep	Okt	Nov	Dec	Jan	Feb	Mar	Apr	Maj	Jun	Jul	Aug	Sep	Okt	Nov	Dec
Ingoing balance	5 000	4 700	4 400	4 150	3 800	6 450	5 768	2 786	10 704	19 622	940	2 508	4 076	3 694	6 262	6 830	5 838	5 406	4 974	3 242	42 810	42 378	40 646	13 214	12 782	12 350	11 918	11 486	11 054
Projects																													
Admin	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432	-432
Mariefred 1																				40 000									
Mariefred 2	-100	-100	-100	-100	-100		7 500	7 500	7 500	7 500																			
Mariefred 3				-100	-100	-100	-100																						
Mariefred 4																													
Målarvyn	-50	-50			3 000			1 000	2 000	2 000	2 000	2 000	2 000	1 000	1 000														
Trosa	-150	-150	-150	-150	-150	-150	-150	-150	-150	-150				26 000															
Slottsbyn																													
Finance																													
Refinancing																													
Redemption of bonds											-25 000			-25 000									25 000						
Interest payments @10%							-9 800				-2 600			-1 950		-1 560			-1 300			-1 300							
Outgoing balance	4 700	4 400	4 150	3 800	6 450	5 768	2 786	10 704	19 622	940	2 508	4 076	3 694	6 262	6 830	5 838	5 406	4 974	3 242	42 810	42 378	40 646	13 214	12 782	12 350	11 918	11 486	11 054	10 622
<u>Balance Sheet pro forma</u>																													
JV-participation	0	0	0	0	0	0	0	0	0	0	0	0	0	26 000	26 000	26 000	26 000	26 000	26 000	26 000	26 000	26 000	26 000	26 000	26 000	26 000	26 000	26 000	26 000
Properties	120 000	120 300	125 550	125 800	123 050	123 200	117 850	111 500	104 150	96 800	96 800	96 800	96 800	96 800	97 800	98 800	100 800	102 800	104 800	51 800	51 800	51 800	51 800	51 800	51 800	51 800	51 800	51 800	51 800
Other receivables	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000
Cash and cash equivalents	4 700	4 400	4 150	3 800	6 450	5 768	2 786	10 704	19 622	940	2 508	4 076	3 694	6 262	6 830	5 838	5 406	4 974	3 242	42 810	42 378	40 646	13 214	12 782	12 350	11 918	11 486	11 054	10 622
	130 700	130 700	135 700	135 600	135 500	134 968	126 636	128 204	129 772	103 740	105 308	106 876	106 494	135 062	136 630	136 638	138 206	139 774	140 042	126 610	126 178	124 446	97 014	96 582	96 150	95 718	95 286	94 854	94 422
Equity	11 568	8 736	10 904	13 272	11 740	10 208	876	1 444	3 012	1 980	3 548	5 116	4 734	58 302	59 870	59 878	61 446	63 014	63 282	67 010	66 578	64 846	64 414	63 982	63 550	63 118	62 686	62 254	61 822
Bond loan	95 000	96 000	97 000	98 000	99 000	100 000	101 000	102 000	102 000	77 000	77 000	77 000	77 000	52 000	52 000	52 000	52 000	52 000	52 000	52 000	52 000	52 000	25 000	25 000	25 000	25 000	25 000	25 000	25 000
Other liabilities	23 032	23 464	23 896	24 328	24 760	24 760	24 760	24 760	24 760	24 760	24 760	24 760	24 760	24 760	24 760	24 760	24 760	24 760	24 760	7 600	7 600	7 600	7 600	7 600	7 600	7 600	7 600	7 600	7 600
Accrued expenses	1 100	2 500	3 900	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Liabilities	119 132	121 964	124 796	122 328	123 760	124 760	125 760	126 760	126 760	101 760	101 760	101 760	101 760	76 760	76 760	76 760	76 760	76 760	76 760	59 600	59 600	59 600	32 600	32 600	32 600	32 600	32 600	32 600	32 600
Equity and Liabilities	130 700	130 700	135 700	135 600	135 500	134 968	126 636	128 204	129 772	103 740	105 308	106 876	106 494	135 062	136 630	136 638	138 206	139 774	140 042	126 610	126 178	124 446	97 014	96 582	96 150	95 718	95 286	94 854	94 422

Proposal

**A. A) Amendments to the Terms and Conditions as set out in Appendix 2.
The proposed amendments aim to implement the following measures:**

- i. Extend the tenor of the Bonds by just over a year until 30 June 2023.
- ii. Increase the Interest Rate from 10 per cent. per annum to 11 per cent. per annum, from (but excluding) 22 November 2021.
- iii. Clarify that "development costs" include all reasonable costs incurred relating to constructing, rehabilitating, financing, marketing and, direct or indirect, sale of Property, including but not limited to costs for researching, project management, architecting, material, labour, rental costs, legal costs, advertising, tax and other sale costs.
- iv. Allow the Issuer to pay Interest and default interest with funds from income that is deposited on the Deposit Account.
- v. Clarify the conditions regarding replacement of Transaction Security if assets are sold to a third party that is not a condominium association to make it clear that incurred receivables shall be pledged and that if such receivable is repaid, 90 per cent of the repaid amount shall be deposited on the Deposit Account.
- vi. Add that the Issuer shall amortise an amount equivalent to SEK 25,000,000 on 20 May 2022 and may amortise a voluntary amount, however not less than an amount equivalent to SEK 10,000,000, on any Interest Payment Date.

B. A request that the Bondholders irrevocably waive the following Events of Default:

- i. Part of the income from sale of Property to a third party (MSEK 18 out of MSEK 20) regarding "Project Södra Skogen" was used for payment of Interest to Bondholders on 20 May 2021 and to pay development costs (i.e. costs relating to constructing, rehabilitating, financing, marketing, direct and indirect sale of Property, researching, project management, architecting, material, labour, rental costs, legal costs, advertising, tax and other sale costs) and costs for general corporate purposes notwithstanding that these funds had not been deposited on the Deposit Account beforehand. Moreover, the income from sale of Property to a third party (MSEK 6,8) regarding "Project Härnevi" was used for payment of Interest to Bondholders and to pay development costs (see aforementioned clarification) and costs for general corporate purposes notwithstanding that these funds had not been deposited on the Deposit Account beforehand.
- ii. The payment of Interest that was supposed to be made to Bondholders on 20 August 2021, 22 November 2021 and 21 February 2022 will instead be made ten (10) Business Days after the Proposal has been duly approved, together with payment of default interest.

Voting information

Quorum and majority

- There is no quorum requirement in the Second Written Procedure
- Approval of the Proposals require acceptance from at least 66,67% of the registered votes

Timeline and delivery of votes

- The Agent **must** have received the votes by mail, courier or e-mail to the address indicated below no later than by **12.00 (CET) on 21st of March 2022**. Votes received thereafter will be disregarded
- **Votes shall be sent to the Trustee, Intertrust (Sweden) AB:**
- **By regular mail:**
 - *Intertrust (Sweden) AB*
 - *Attention: Maria Landers, Sveavägen 9, floor 10, 111 57, Stockholm*
- **By courier:**
 - *Intertrust (Sweden) AB*
 - *Attention: Maria Landers, Sveavägen 9, floor 10, 111 57, Stockholm*
- **By e-mail:**
 - trustee@intertrustgroup.com

For further information

- For further information, please contact any of the respective parties listed below
- For the Trustee: Intertrust (Sweden) AB
 - *Attention: Beatrice Gustafsson, trustee@intertrustgroup.com, +46 701 41 10 82*
- For the Issuers financial advisor: JOOL Corporate Finance AB
 - *Björn Nilsson-Törnström, bnt@joolcorp.se, +46 721 80 00 25*
 - *Emil Jangvik, ej@joolcorp.se, +46 733 55 64 58*
- For the Issuer:
 - *Lars Kristiansson, lars@lilleby.se, +46 8 23 52 00*

Q&A

How has the Company and the projects been affected by the Covid-19 pandemic?

The Company has been affected both in a positive and a negative way by the pandemic. Projects has been delayed as construction was not possible to start due to the government recommendations. Furthermore, while operating with heavy interest payments the liquidity of the Company was affected negatively by the pandemic. However, with the pandemic more and more house buyers are looking for homes outside the city centres which is a long-term demand that benefits the Company's business model.

What is the expected time plan for repayment of the bonds?

The Company budgets in its liquidity forecast to repay the bonds in June 2023, with partial repayments in May and September 2022.

Does the company have sufficient resources to develop its projects to completion?

Yes, the more restrictive bank lending has made us look for alternative creditors as well as partly adapted the business model to sell more plots directly to the homebuyers

How is the Company financing the construction of Mariefreds Strand?

The company has a draw-down debt facility (SW.

byggkreditiv) that has been provided by an alternative credit fund.

What is the background for the recent change in management?

During the period CEO Mikael Rosenberg has stepped down due to personal reasons and has been replaced as CEO by founder and long-term Director Lars Kristiansson, Mr. Rosenberg continues to work part-time in the organization.

Planerade Lilleby



Proposed amendments to the Terms and Conditions

1.1 Definitions

"Final Redemption Date" ~~20 February 2022~~ 30 June 2023.

"Interest Rate" means 10 per cent. *per annum*, up to (and including) 22 November 2021, and 11 per cent. *per annum*, from (but excluding) 22 November 2021.

4.4 Disbursement from the 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 Interest and/or default interest and/or acquisition costs for property acquisitions and/or development costs for third party suppliers and entrepreneurs for the properties owned by the Group. Aforementioned development costs include all reasonable costs incurred relating to constructing, rehabilitating, financing, marketing and, direct or indirect, sale of Property, including but not limited to costs for researching, project management, architecting, material, labour, rental costs, legal costs, advertising, tax and other sale costs.

9.3 Replacement of Transaction Security

- (a) In the event of a sale of Property or 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:
- (i) if the assets, directly or indirectly, are sold to a legally established condominium association, or any other third party, against a BRF Receivable, or any other third party receivable, a pledge over the full amount of such BRF Receivable or other third party receivable; and
 - (ii) if the assets are sold for cash, or if a pledged BRF Receivable or any other third party receivable is repaid, against depositing 90 per cent. of the proceeds from the sales or repayment amount on the Deposit Account.

11 Redemption and amortisation of the Bonds

11.6 Mandatory amortisation

The Issuer shall amortise an amount equivalent to SEK 25,000,000 on 20 May 2022 on a *pro rata* basis, whereby the Nominal Amount of each Bond will be reduced.

11.7 Voluntary amortisation

- (a) The Issuer may amortise a voluntary amount, however not less than an amount equivalent to SEK 10,000,000, of the outstanding Bonds on any Interest Payment Date on a *pro rata basis*, whereby the Nominal Amount of each Bond will be reduced.
- (b) Amortisation in accordance with Clause 0(a) above, shall be made by the Issuer giving not less than fifteen (15) Business Days' notice prior to the relevant Interest Payment Date to the Bondholders and the Agent, in each case calculated from the effective date of the notice. The notice from the Issuer shall specify the amount that will be amortized, the Interest Payment Date and also the Record Date on which a person shall be registered as a Bondholder to receive the amounts due on such Interest Payment Date.