

CONVERTIBLE BOND CONDITIONS
Arcona Property Fund N.V.

1. Definitions and interpretation

- 1.1. The terms below have the following meaning:
- a. **Article** means an article herein;
 - b. **Bond Amount** means the principal amount of a Convertible Bond;
 - c. **Bond Holder(s)** means the holder(s) of Convertible Bonds;
 - d. **Conditions** means the conditions of the Convertible Bonds laid down herein combined with the applicable Term Sheet;
 - e. **Conversion Option** has the meaning assigned to it in Article 6.1;
 - f. **Conversion Period** has the meaning assigned to it in the applicable Term Sheet;
 - g. **Conversion Price** has the meaning assigned to it in the applicable Term Sheet;
 - h. **Convertible Bonds** means the bonds issued by the Issuer under a specific Tranche and that are convertible into Shares, such to be decided by the Bond Holder;
 - i. **Effective Date** has the meaning assigned to it in Article 7.2;
 - j. **Interest Amount** means the amount of interest payable on each Convertible Bond on each Interest Payment Date;
 - k. **Interest Payment Date** has the meaning assigned to it in Article 5.2;
 - l. **Interest Period** has the meaning assigned to it in the applicable Term Sheet;
 - m. **Interest Rate** has the meaning assigned to it in the applicable Term Sheet;
 - n. **Issue Date** means, with respect to a Convertible Bond, the date the Convertible Bonds are first registered in the Register;
 - o. **Issuer** means Arcona Property Fund N.V. an investment company with variable capital incorporated under Dutch law with its registered office in Amsterdam and registered with the Chamber of Commerce under number 08110094;
 - p. **Maturity Date** has the meaning assigned to in the applicable Term Sheet;
 - q. **Offering Period** has the meaning assigned to it in the applicable Term Sheet;
 - r. **Prospectus** means the registration document, security note and summary, constituting a prospectus dated 28 October 2016 of the Issuer;
 - s. **Register** has the meaning assigned to it in Article 9.1;
 - t. **Shares** means the ordinary shares in the capital of the Issuer, each with a nominal value of EUR 5.00 (ISIN code: NL0006311706) (subject to any consolidation, reclassification or subdivision, as applicable);
 - u. **Term Sheet** means the document in which the specific conditions applicable to a certain Tranche have been laid down. The specific conditions of Convertible Bonds may differ per Tranche;

- v. **Tranche** means an issue of Convertible Bonds subject to the conditions specified in the applicable Term Sheet;
- 1.2. Headings of Articles are intended exclusively for the sake of convenience or for reference purposes.
- 1.3. The conditions laid down herein combined with the applicable Term Sheet constitute the conditions of the Convertible Bonds of the relevant Tranche.

2. Purpose

- 2.1. The Issuer will use the proceeds of the Convertible Bonds for purposes that are in line with its customary business operations and the objects included in the Issuer's articles of association.
- 2.2. The specific purpose of each Tranche, in line with the purpose described in Article 2.1, follows from the applicable Term Sheet.
- 2.3. Reference is made to chapter 1 (*Risk factors*) of the Prospectus for the risks inherent to an investment in the Issuer.

3. Convertible Bonds

- 3.1. The Convertible Bonds are direct, unconditional, unsubordinated and unsecured obligations of the Issuer ranking *pari passu*, without any preference among themselves, and equally with all other existing and future unsecured and unsubordinated obligations of the Issuer, unless otherwise determined in the applicable Term Sheet. The Convertible Bonds are registered claims (*vorderingen op naam*) and will be included in the Register. Bond certificates will not be issued.
- 3.2. The total amount of a Tranche follows from the applicable Term Sheet. If an issuance raises a lower amount, the total amount of the Tranche may be reduced or the issuance may be withdrawn, both at the discretion of the Issuer.
- 3.3. In case of oversubscription, the Convertible Bonds will be allocated on the basis of the order in which the Issuer received the subscriptions.
- 3.4. The Issuer has the right to withdraw the intended issue at its discretion until the day following the closing of the Offering Period and without being required to state the reasons for withdrawing. Bond Amounts that have already been received by the Issuer will be refunded within five (5) days after the closing of the Offering Period without interest compensation being due.

4. Nominal value

The Convertible Bonds are issued in denominations of EUR 1,000 each.

5. Interest

- 5.1. The Convertible Bonds shall bear interest on the outstanding Bond Amount during the Interest

- Period. The Issuer is obliged to pay the Interest Rate on the outstanding Bond Amount.
- 5.2. The Interest Amount is paid in arrears every six months on 1 May and 1 November of every year (each such date, an **Interest Payment Date**).
- 5.3. In case of repayment of the Convertible Bonds as described in Article 11, the Issuer will owe interest up to and including the redemption date of repayment of the outstanding Bond Amount.
- 6. Conversion**
- 6.1. The Issuer grants each Bond Holder the irrevocable option to convert the outstanding Bond Amount of the Convertible Bonds (in whole or in part) held by the Bond Holder together with the accrued but unpaid interest into Shares, against a Conversion Price, the amount of which is stated in the applicable Term Sheet (the **Conversion Option**).
- 6.2. Conversion can only take place in round Shares, whereby numbers are rounded down. Possible differences resulting from rounding down benefit the Issuer.
- 6.3. Payment of the price of the Shares takes place by means of set off against the outstanding Bond Amount of the Convertible Bonds and the accrued but unpaid interest thereof held by the Bond Holder on the date the Conversion Option is exercised.
- 6.4. Each Bond Holder can exercise his Conversion Option during the Conversion Period.
- 6.5. Shares are allocated ultimately three (3) trading days after the Conversion Option is exercised.
- 7. Adjustment Conversion Price and Material Transactions**
- 7.1. If at any time while the Convertible Bonds are outstanding there shall be a consolidation, reclassification or subdivision in relation to the Shares, without an increase or decrease of the share capital of the Issuer, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification or subdivision by the following fraction:
- $$\frac{A}{B}$$
- where:
- A is the aggregate number of Shares in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and
- B is the aggregate number of Shares in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.
- Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.
- 7.2. If and whenever the Issuer shall issue Shares to shareholders as a class by way of rights, or shall issue or grant to shareholders as a class by way

of rights, any options, warrants or other rights to subscribe for or purchase new Shares, or any securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any new Shares issuable by the Issuer (or shall grant any such rights in respect of existing securities so issued), in each case at a price per Share which is less than 95% of the market price per Share on the Effective Date (as defined below), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Shares in issue on the Effective Date;

B is the number of Shares which the aggregate consideration (if any) receivable for the Shares issued by way of rights, or for the securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Shares deliverable on the exercise or conversion thereof, as the case may be, would purchase at such market price per Share on the Effective Date; and

C is the number of Shares to be issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights or subscription or purchase in respect of such Securities at the initial conversion, exchange, subscription or purchase price or rate (not taking into account any later adjustment thereof).

Such adjustment shall become effective on the first date on which the Shares are traded ex-rights, ex-options or ex-warrants on the stock exchange (the **Effective Date**). It is expressly understood that any subsequent exercise of such options, warrants or rights into new Shares, or the conversion into, exchange into or subscription for new Shares shall not trigger an additional adjustment of the Conversion Price or other terms of the Convertible Bonds.

- 7.3. Whenever the Conversion Price is adjusted pursuant to this Article, the Issuer shall promptly deliver to the Bond Holders a notice setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment.
- 7.4. If, at any time while the Convertible Bonds are outstanding:
- (i) the Issuer effects any merger of the Issuer with or into another legal entity,
 - (ii) the Issuer effects any sale of all or substantially all of its assets in one transaction or a series of related transactions, or

- (iii) any public offer or exchange offer (whether by the Issuer or another person) is completed pursuant to which shareholders are permitted to tender or exchange their Shares for other securities or cash (in any such case, a **Material Transaction**),

then upon any subsequent conversion of the Convertible Bonds during the Conversion Period, the Bond Holder shall have the right to receive, for each Share that would have been issuable upon such conversion immediately prior to the occurrence of such Material Transaction, the same kind and amount of securities or cash as it would have been entitled to receive upon the occurrence of such Material Transaction if it had been, immediately prior to such Material Transaction, the holder of Shares.

8. Subscription

- 8.1. Subscription must take place during the Offering Period. The Issuer may shorten or extend the Offering Period by means of a notice.
- 8.2. Subscription takes place by sending in a duly signed subscription form for a specific Tranche accompanied by the requested documentation and information required within the context of the Money Laundering and Terrorist Financing (Prevention) Act, as amended from time to time, and payment of the Bond Amount, before expiry of the Offering Period, unless otherwise determined in the applicable Term Sheet.
- 8.3. A Bond Holder can participate in each Tranche, unless provided otherwise in the applicable Term Sheet. However, the Issuer has the right to refuse subscriptions for the Convertible Bonds at its discretion.

9. Register

- 9.1. The Issuer maintains a register that may or may not be fully automated (the **Register**) in which the names, address details and bank accounts of Bond Holders are included, stating the applicable Tranche(s), the number of Convertible Bonds held by them, as well as the date on which the Bond Holder acquired the relevant Convertible Bonds and the creation of any limited rights. Following registration or deregistration of Convertible Bonds in the Register, the Issuer will send a copy of its registration to the relevant Bond Holder.
- 9.2. Each Bond Holder is obliged to communicate to the Issuer his address and any additional data to be determined by the Issuer as well as any changes thereto. The Register is available for inspection by the Bond Holders to the extent it concerns the data pertaining to the relevant Bond Holder.

10. Transfer restrictions

The rights and obligations of the Bond Holders are capable of being transferred, assigned or pledged, provided the Issuer has approved such in writing and in advance.

11. Redemption

- 11.1. The Convertible Bonds will be redeemed by (i) repayment by the Issuer of the outstanding Bond Amount, including any accrued but unpaid interest thereof, or (ii), such to be decided by the Bond Holder, by means of an exercise of the Conversion Option.
- 11.2. If such is provided for in the applicable Term Sheet the Issuer will have the right to early redeem the relevant Tranche subject to the conditions provided for in the relevant Term Sheet. The Issuer will announce an early redemption at least thirty (30) days in advance to enable the Bond Holders to exercise their Conversion Option.
- 11.3. The Issuer shall redeem the outstanding Bond Amount, including any accrued but unpaid interest thereof, on the Maturity Date.

12. Events of Default

All amounts of a specific Tranche owed by the Issuer pursuant to the Conditions are immediately due and payable without requiring any prior notice of default (with the exception of sub b below) or requiring judicial intervention, if:

- a. the Issuer is no longer allowed by law to comply with the obligations under the Convertible Bonds;
- b. the Issuer fails to comply with any payment obligations pursuant to the Conditions, or fails to do so on time or fully, following proper notice of default with due observance of a demand period of thirty (30) days.
- c. the Issuer stops complying with other obligations under the Convertible Bonds for a period of thirty (30) days;
- d. the Issuer is dissolved or ceases to exist as a result of a merger or division;
- e. if the Issuer is declared bankrupt or submits an application to that effect or the Issuer applies for a moratorium or if a competent court issues an order to that effect or becomes insolvent pursuant to the Council Regulation on insolvency proceedings dated 29 May 2000 (OJ 1346/2000).

13. Payments

- 13.1. All payments owed by the Issuer pursuant to the Convertible Bonds are made in euros, by transfer into a bank account number to be provided to the Issuer by the Bond Holders.
- 13.2. The amounts to be paid by the Issuer first serve to reduce the interest owed by it and then to reduce the outstanding Bond Amount.

14. Costs

All costs related to the issue of the Convertible Bonds and the conversion are borne by the Issuer.

15. Notifications

Each notification by a Bond Holder or other correspondence concerning the Convertible Bonds must be drawn up in the Dutch or English language and sent by registered post or by fax to the following address:

Arcona Property Fund N.V.
PO Box 211
7400 AE Deventer
The Netherlands

16. Changes to the Conditions

The Conditions can only be changed with the prior, written approval of at least seventy-five percent (75%) of the total outstanding Bond Amount of the Convertible Bonds of each Tranche, unless the change concerns the conditions of one relevant Tranche in which case the change can be made with the prior, written approval of at least seventy-five percent (75%) of the outstanding Bond Amount of the Convertible Bonds of such Tranche. A change made with the aforementioned approval will be binding on all Bond Holders of the relevant Tranche, whether or not they are present at the meeting.

17. Invalidity of the Conditions

If any provision of the Conditions proves to be invalid in whole or in part, this shall not prejudice the validity of any other provisions, on the understanding that the invalid provision shall be replaced with a provision that will approach the intention of the original provision as closely as possible.

18. Applicable law and competent court

- 18.1. The Conditions and any non-contractual obligations arising out of or in relation with the Conditions are governed by Dutch law.
- 18.2. All disputes related to or arising from the Conditions will be submitted for settlement to the competent court in Amsterdam, the Netherlands.