



**NORSK TILLITSMANN ASA**

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**To the Bondholders in:**

**ISIN: NO 001 037392.1 - 10.5 per cent Camo ASA Senior Unsecured Callable Bond Issue 2007/2010 with Warrants**

Oslo, 7 May 2009

**Proposal to postpone interest, reduce Equity Ratio and accept De-merger – Summons to Bondholders' Meeting**

### **1. Introduction**

Norsk Tillitsmann ASA is appointed as loan trustee (the "**Loan Trustee**") for the above mentioned bond issue (the "**Loan**") where Camo ASA is the borrower (the "**Borrower**").

All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned thereto in the loan agreement for the Loan (the "**Loan Agreement**") or this summons (including the Company Update hereto) unless otherwise stated.

*The following information regarding the operational and financial status of the Company is provided by the Company. The Loan Trustee expressly disclaims any and all liability whatsoever in connection with such information given from the Company.*

### **2. Company Update and other background information**

Please see **Exhibit 1** for a Company Update.

### **3. The Proposal**

In connection with the De-merger Plan (as described in the Company Update hereto), the Borrower have proposed the following (the "**Proposal**"):

#### **(a) De-merger**

It is proposed that the Bondholders' meeting accept the De-merger (as described in the Company Update hereto) where Camo Tech Group AS is being sold.

#### **(b) Proteans**

It is proposed that the Bondholders' meeting accept a possible demerger/sale of Proteans Software Solutions Ltd (as described further in the Company Update hereto) where Proteans might be sold.

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(c) Reduce the Equity Ratio

It is proposed that the Equity Ratio covenant in the Loan Agreement is reduced from 40 % or higher to 23 % or higher.

(d) Postpone interest payment in December 2009 until Maturity Date

It is proposed that the interest payment due on 15 December 2009 shall be postponed until the Maturity Date and that the interest amount due on 15 December 2009 shall bear interest of 10.5 % from and including 15 December 2009 to the Maturity Date.

The postponement of the interest payment will be carried out by way of issuance of additional Bonds with an aggregate face value equal the contractual interest amount due on 15 December 2009, rounded down to nearest USD ("**Payment-in-Kind**").

For the avoidance of doubt, additional Bonds issued in connection with Payment-in-Kind will be pari passu with Bonds already issued. In connection with the issuance of additional Bonds, no further warrants will be issued.

Further, in order to carry out the aforesaid, there will be a split of the Bonds so that the new face value of each Bond will be NOK 1.0.

(e) Increase Redemption Price

As a compensation for the aforesaid, it is proposed that the redemption price of the Bonds shall be increased to 102.50 % of par value.

(f) Reduced Exercise Price (Strike Price) of the Warrants

Further as a compensation, it is proposed that the Exercise Price of the Warrants (ISIN NO0010374259) is reduced from NOK 1.75 to NOK 1.50.

For the avoidance of doubt, there will be no further adjustments of the Exercise Price in connection with the De-merger.

(g) Conditions

The Proposal is conditional upon:

- (A) Adoption from the general assembly of the Borrower of the De-merger Plan on 22 May 2009.
- (B) That the De-merger Plan is carried out on or before 1<sup>st</sup> of September 2009.
- (C) Necessary corporate resolutions in connection with the reduction of the Exercise Price.



#### 4. Evaluation of the Proposal

To enable the Borrower to conduct the proposed change of the Loan Agreement as described herein, the Borrower has requested the Loan Trustee to summon a Bondholders' Meeting to consider the approval of the proposed change.

##### (a) The Borrower's evaluation of the Proposal

The De-merger of the Camo Tech group AS with subsidiaries is recommended by the board of Camo ASA for several reasons.

The business of Camo Tech has a limited strategic value for Camo ASA, it is also very sensitive to changes in the business climate and is now losing money.

Second, A Jasti has been willing to accept a high price for the unit compared to benchmarking of similar businesses and he will also refrain from claiming compensation for potential tax claim from IRS on his shares in Camo ASA.

##### (b) The Loan Trustee's evaluation of the Proposal

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

It is recommended that the Bondholders consult with their own advisors to evaluate the consequences of the Proposal.

#### 5. Bondholders' meeting:

Bondholders are hereby summoned to a Bondholders' meeting:

**Time:** 15 May 2009 at 14:00 hours (Oslo time),  
**Place:** The premises of Norsk Tillitsmann ASA,  
Haakon VII's gt 1, 01061 Oslo - 5<sup>th</sup> 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 change of the Loan Agreement:

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

*The Bondholders' meeting approve the Proposal as described in Clause 3 in the summons to this Bondholders meeting.*

*Norsk Tillitsmann ASA is given the power of attorney to implement the resolution, hereunder to enter into the necessary agreements in connection with the*



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*resolution as well as to carry out the necessary completion work, including make necessary amendments to the Loan Agreement.*

To approve the above resolution, Bondholders representing at least 2/3 of the Bonds represented in person or by proxy at the meeting must vote in 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 Loan Agreement will remain unchanged.

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

In the event that Bonds have been transferred to a new owner after the Bondholder's Form was made, the new Bondholder must bring to the Bondholders' meeting or enclose with the proxy, as the case may be, evidence which the 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 Norsk Tillitsmann, to notify Norsk Tillitsmann by telephone or by e-mail (at set out at the first page of this letter) within 16:00 hours (4 pm) (Oslo time) the Banking Day before the meeting takes place.

Yours sincerely  
**Norsk Tillitsmann ASA**

  
Elise Breivik

Enclosed: Bondholder's Form  
Exhibit 1 – Company Update  
Exhibit 2 – Pro forma De-merger balance

## Exhibit 1



May 7 2009

To the Bondholders.

**Company Update in connection with a Bondholders' Meeting in the "10,5 % Camo ASA Senior Unsecured Callable Bond Issue 2007/2010 with warrants between" Camo ASA and Norsk Tillitsmann ASA.**

### *Introduction*

The board of Camo ASA has now approved the audited Annual Report and Accounts and the de-merger plan (the "De-merger Plan" or the "De-merger"). The Accounts and the De-merger Plan will be presented to the Annual General Meeting for approval in the Camo ASA offices at the 22<sup>nd</sup> of May at 10:00 a.m. (Oslo time). The De-merger Plan has been registered in the Norwegian Official Registry, and both The Annual Report and Accounts and the plan has been distribute to Fondsmeglerforbundets info page and the Camo web page [www.camogroup.com](http://www.camogroup.com).

The reasons for suggesting the De-merger can be summarized as follows:

- The Camo INC group of companies in the US consists of IT consultants doing temporary project work for IT vendors. The consultants of which the majority are ethnic Indians are working for Camo INC while they are waiting for Green Card (permanent working permit in the US). The business does not have a strategic value for Camo ASA.
- Mr. Ashwani Jasti founded the business in 1997 and merged it with Camo in 2001 and still heads the division. When the holding company moved to Norway in 2005 Mr. Jasti received Camo shares. The transaction in 2005 triggered a tax claim from IRS in the US. Mr. Jasti will potentially file a law suit against Camo if the De-merger is rejected by the AGM
- The Camo INC group is very sensitive to changes in the business climate, and is now losing money.
- The board has concluded that the prevailing gross value of USD 3,771,000 for the subsidiary is a good price in today's market. Mr. Jasti as founder and CEO of the group has been willing to pay a high price to regain control of his assets.

### **De-merger of the CAMO INC group**

As a consequence of the De-merger Camo ASA will reduce its debt equity ratio to 23 % and be in breach of the covenant in the loan agreement of the abovementioned loan.

The terms and conditions of the De-merger agreement are as follows

- Mr. A. Jasti has established a Norwegian limited company which will hold 82 % of the shares in Camo INC (with subs). He will pay USD 3,771,000 by the redemption of his Camo ASA shares and retain USD 1,028,000 in debt of which USD 492,000 will be payable to CAMO ASA.
- Terms and conditions for repayment of the debt to Camo ASA and the 18 % shareholding in Camo INC are regulated in separate agreements between the parties.

A pro-forma De-merger balance is attached as Exhibit 2 hereto.

## Exhibit 1

### Operations

As can be seen in the Annual Report and Accounts, the financial year 2008 ended with NOK 114 mill in turnover compared to NOK 110 mill in 2007. Cash flow from operations was slightly negative on minus NOK 0.6 mill while net sources from a rights issue contributed NOK 3.7 mill giving a reduction in cash balance year end of NOK 3,2 mill after net investments of NOK 6,3 mill. Cash balance at year end for the group was NOK 4,7 mill.

Mr. S. Stange has taken over the CEO position in Camo ASA, CFO have left the group, while Mr. Lars Østerberg has taken the position as MD of the Camo Software group. The focus of operation now is cost cutting and value creation in the two subsidiaries, Proteans and Camo Software.

Proteans has achieved USD 2.2 mill in sales and USD 540,000 in EBITDA for the first quarter of 2009 while Camo Software reached USD 461,000 in sales and lost 150,000 in EBITDA for the first quarter. Camo ASA admin costs are substantially reduced with effect from Q2.

### Cash Flow, medium term financing

The proceeds from the rights issue at the end of 2008 of NOK 4.2 mill was not sufficient to cover the interest and installments falling due for payment at the end of the year of NOK 5.2 mill. The tight cash flow was temporary resolved by a shareholders loan of NOK 1.15 mill in February 2009 while a medium term solution must be found to ease the operational stress created by this situation and the worse than expected Q1 for the Software division.

Camo ASA has post the De-merger two remaining subsidiaries with good to excellent value creation potentials. The group will, during the course of the next 2 months, face two real alternatives to solve the cash flow situation:

- Sale of Proteans
- A rights issue of shares in Camo ASA of NOK 5 mill

#### Alt 1. Sale of Proteans

During Q2-Q4 2008 there have been several interested potential buyers of the Proteans divisions approaching Camo. The board however did not consider the offers good enough and rejected the indications at the time. One of the potential buyers however have returned with an indicative offer of USD 8.5 mill (USD 7 mill in cash/bank guaranteed Pro-notes and USD 1- 1.5 mill in "earn out"). The Camo board consider to pursue this alternative as a plan B.

#### Alt 2. Rights issue CAMO ASA.

If the bondholders and shareholders agree to the De-merger of the Camo Tech group the board will work to raise NOK 5 mill in new money during spring as a plan A. The funding is necessary to maintain full operational efficiency of the SW division and Proteasn and at the same time clean out overdue unpaid creditors in Camo ASA.

### Summary

Post De-merger the debt equity ratio of Camo ASA consolidated balance is 23.1%. The breach of covenant has been addressed in the summons to a Bondholders' meeting dated May 7 2009.

One of the two above solutions for financing will have to be implemented within a period of 2 months from 1<sup>st</sup> of May.

Sverre Stange (Chairman)

CAMO ASA



## Exhibit 2

### Pro-forma De-merger Balance (Group)

	Cons Newco / Tech	Cons new CAMO	2008 Annual accounts
Revenue	56 192 525	58 108 234	114 300 759
Employee related costs	53 263 411	40 012 117	93 275 528
EBITDA	-1 369 056	6 584 092	5 215 037
Net dep, amort and wd:s	3 328 179	24 666 626	27 994 805
Net financial items	811 503	6 065 049	6 876 552
Net Income	-5 696 561	-31 400 440	-37 097 001
	0		
	0		
Total intangible fixed assets	19 695 339	20 895 373	40 590 712
Total tangible assets	638 989	9 109 046	9 748 035
	0		
Other financial fixed assets	-9 040 297	12 420 705	0
Total fixed assets	11 294 030	42 425 125	50 338 747
Total receivables	8 833 131	20 054 440	28 887 571
Total current assets	10 952 044	23 144 555	33 976 599
Total assets	22 246 074	65 569 680	84 315 346
Total equity incl minority	-14 128 796	-15 155 863	-25 484 251
Total long-term liabilities	0	-7 953 247	-7 953 247
Total current liabilities	-8 417 279	-42 460 569	-50 877 848
Total liabilities	-8 417 279	-50 413 816	-58 831 095
Total equity and liabilities	-22 246 075	-65 569 679	-84 315 346

## Exhibit 2

### Pro-forma De-merger Balance (Parent Company)

	Camo ASA	Camo tech Group AS	Camo ASA post DM
Investment in Subsidiaries	43 433 659	15 817 277	27 616 382
Loan to Subsidiaries	20 437 641		20 437 641
Total financial assets	63 871 300		48 054 023
			0
			0
Total current assets	339 549		339 549
Total assets	64 210 849	15 817 277	48 393 572
			0
			0
Total equity incl minority	-24 501 155	-15 817 277	-8 683 878
			0
Total long-term liabilities	-4 998 802		-4 998 802
			0
Total current liabilities	-34 710 889		-34 710 889
Total liabilities	-39 709 691		-39 709 691
Total equity and liabilities	-64 210 846	-15 817 277	-48 393 569