

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

**To the bondholders in:**

**ISIN: NO0010708209 - Harkand Finance Inc. Senior Secured Callable Bond Issue  
2014/2019**

Oslo, 22 July 2016

**Notice to Bondholders – information regarding on-going recovery process**

Reference is made to the summons dated 9 May 2016 (the “**Summons**”) for written bondholders’ resolutions which were resolved 9 May 2016. Capitalized terms used herein shall have the same meaning ascribed to them in the Summons, unless otherwise stated herein.

Completion of the Sale and issuance of the Recovery Bonds by the SPV (named Nor Offshore SPV, Ltd.) is scheduled to take place on or about 29 July 2016.

It follows from the Summons that subject to (i) acquisition of the Vessels by the SPV; (ii) transfer of the remaining amount of the Upfront Payment to the SPV; (iii) transfer of the Issuer’s remaining cash pledged and blocked in favour of the Bond Trustee to the SPV; and (iv) issuance of the Recovery Bonds, arrangements will be agreed between the SPV and the Issuer to release the Issuer from any remaining liabilities under the Finance Document, and the Bonds will be written down to zero.

To ensure that any windfall to the Issuer and the Vessel Owners following issuance of the Recovery Bonds will be for the benefit of the SPV and thereby indirectly the Bondholders:

- (a) the Bonds will be partially settled/written down in connection with issuance of the Recovery Bonds;
- (b) the remaining Bonds and related rights will be transferred to the SPV;
- (c) any additional cash received by the Issuer or the Vessel Owners (if any) after issuance of the Recovery Bonds will be applied towards repayment of the Bonds and be transferred to the SPV; and
- (d) the Bond Trustee may in its discretion subsequently write down the Bonds, depending on the status of any potential sources of recovery in the Issuer and Vessel Owners.

The amount of the initial write down, cf. paragraph (a) above, will be in the amount of approximately USD 121,000,000, being the sum of the market value of the Vessels and an approximate amount of cash to be transferred to the SPV in connection with the closing of the Sale.

Issuance of the Recovery Bonds will constitute settlement in full by the Issuer and the Vessel Owner of any obligations towards the Bondholders in respect of the Bond Issuance.

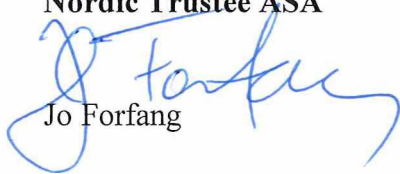
The last day of trading of the Outstanding Bonds will be 25 July 2016, with last day of settlement 25 July.

On the Settlement Date, the Bondholders will receive Recovery Bonds in the amount equal to the total outstanding amount under the Bond Issue, including default interest and call premium, to be distributed on a pro rate basis.

The entire outstanding amount under the Bond Issue will be redeemed in full and settled with Recovery Bonds as follows:

Record Date: **27 July 2016** (end of business)  
Settlement Date: on or about **29 July 2016**  
Last day of trading: **25 July 2016**

Yours sincerely  
**Nordic Trustee ASA**



Jo Forfang