

10 AUGUST 2017



FIRST REPORT TO CREDITORS

SEA TRUCKS GROUP LIMITED – IN LIQUIDATION

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1. Introduction

- 1.1. On 12 June 2017, Chad Griffin of FTI Consulting LLP, 200 Aldersgate, Aldersgate Street, London EC1A 4HD, United Kingdom, and I were appointed Joint Liquidators of Sea Trucks Group Limited (the “**Company**”) by Order of the Eastern Caribbean Supreme Court in the High Court of Justice British Virgin Islands (the “**BVI Court**”) pursuant to Section 159(1) of the Insolvency Act, 2003 (the “**Act**”). Prior to our appointment as Joint Liquidators, Chad Griffin and I were appointed Joint Provisional Liquidators of the Company on 5 May 2017 by the BVI Court.
- 1.2. It is important to note that the liquidation appointment is only to the Company, being the Sea Trucks group holding company. The Company’s subsidiaries (the “**Subsidiaries**”) are not currently subject to insolvency proceedings. The liquidation of the Company has no direct impact on the operations of the Company or the Subsidiaries (collectively the “**Group**”). The directors and management team of the Subsidiaries remain in control of the operations of the Subsidiaries. The Subsidiaries remain fully operational and the liquidation of the Company has no direct impact on the liquidity available to the Subsidiaries.
- 1.3. This is our first report to creditors, which has been prepared pursuant to Section 226 of the Act.
- 1.4. This report has been prepared using the information made available to us from various sources. In the short time available since our appointment, it has not been possible to verify the accuracy of the information provided. Please note that further information may be received, which may result in material changes to the information presented in this report.
- 1.5. In the event that this report is obtained by a third party or used for any purpose other than in accordance with its statutory purpose of providing information to the creditors of the Company, any such party relying on this report does so entirely at its own risk and shall have no right of recourse against the Joint Liquidators, FTI Consulting or partners, directors, employees and professional agents.

2. Background

- 2.1. The Company was incorporated in the British Virgin Islands on 27 December 2002 under the Business Companies Act, 2000. A schedule detailing further statutory information is enclosed at Appendix 1. The Company is the parent company of an international group of companies, which offers offshore installation, accommodation and marine support services to the oil and gas industry worldwide.
- 2.2. In October 2016, an event of default occurred in relation to the Company's repayment of its US\$575m secured callable bonds (“**Bonds**”). Following the event of default, the Company commenced preliminary restructuring discussions with Nordic Trustee ASA (“**Nordic Trustee**” or the “**Bond Trustee**”), on behalf of the holder of the Bonds (the “**Bondholders**”).
- 2.3. As part of the restructuring discussions, in December 2016 the Company’s existing directors were replaced with independent directors (the “**Independent Directors**”). During March 2017, the beneficiaries of the trust which holds the Company’s shares (the “**Equity Beneficiaries**”) sought to remove the Independent Directors. Additionally, via the Equity Beneficiaries’ control over West African Ventures Limited (“**WAV**”), the Nigerian operating partner to the Group which shares common ownership with the Equity Beneficiaries, WAV took certain other steps to interfere with the operations of the Group.
- 2.4. In view of this and various other events of default under the Bonds, Nordic Trustee accelerated the debt due under the Bonds, resulting in the full balance of approximately US\$482m being immediately due and payable (the “**Debt**”). The Company advised Nordic Trustee that it was unable to repay the Debt. On 1 May 2017, Nordic Trustee subsequently filed an Originating Application for the appointment of joint liquidators to the Company (the “**Liquidation Application**”) and an Ordinary Application seeking the appointment of joint provisional liquidators to the Company (the “**Provisional Liquidation Application**”).
- 2.5. The Provisional Liquidation Application was heard on 5 May 2017, and by Order of the Court, Mr. Griffin and I were appointed Joint Provisional Liquidators on that date. The Liquidation Application was subsequently heard on 12 June 2017, and by Order of the Court Mr. Griffin and I were appointed Joint Liquidators on that date.

3. Steps taken since appointment

Statutory

- 3.1. In accordance with Section 178 of the Act, notice of the Joint Liquidators' appointment was filed with the Registrar of Corporate Affairs (the "**Registry**") and the BVI Financial Services Commission on 13 June 2017, and served on the Company at its registered office on the same date.
- 3.2. Notice of the Joint Liquidators' appointment was duly advertised in the BVI Beacon on 15 June 2017 and the BVI Gazette on 29 June 2017. Also contained within these advertisements was notice, pursuant to Section 189(b) of the Act, that a first meeting of creditors would not be held unless 10 percent in value of the Company's creditors gave written notice that they required a meeting to be called. No such notice was received.

Directors

- 3.3. During the Provisional Liquidation, the Joint Provisional Liquidators requested each of the Company's three current directors (the "**Directors**") to provide a statement of affairs, showing the Company's assets and liabilities as at 5 May 2017. A statement of affairs has been received from one of the directors and it has been filed at the Registry. A summary of the statements of affairs is attached at Appendix 2.

4. Assets

- 4.1. The Company is the parent company of an international group of companies, which offers offshore installation, accommodation and marine support services to the oil and gas industry worldwide. The Group owns a fleet of 37 vessels, 5 of which are large 'DP3' offshore installation and accommodation vessels (the "**DP3s**" or the "**DP3 Fleet**"). The remaining 32 form the Group's 'Other Offshore and Inland Marine Support Services' fleet (the "**OOIMs**" or the "**OOIM Fleet**").
- 4.2. Further detail on the steps the Joint Liquidators are taking to realise value from the subsidiaries owning the DP3 Fleet and the OOIM Fleet is set out below.

The DP3 Fleet

- 4.3. The DP3s are the most valuable vessels within the Group's fleet and operate internationally. The DP3s are mortgaged in favour of the Bond Trustee as collateral for the Bonds. As the majority of the Group's value is in the DP3s, the Joint Liquidators have initially concentrated on maximising realisations in these vessels.
- 4.4. The Joint Liquidators instructed Kennedy Marr, an industry leading shipbroker, to undertake a desk top valuation in order to establish values for the DP3 business and/or the DP3 Fleet. The Joint Liquidators also instructed Clarksons Platou, the world's largest offshore vessel broker, to undertake a marketing process to assess the potential for a sale of the DP3 business and/or DP3 vessels (the "**Sales Process**").
- 4.5. The valuations have been completed and the first round of the Sales Process has concluded. The Joint Liquidators are discussing the results of both with the Bondholders, whose consent would be needed to conclude any sale given the security which they hold.
- 4.6. On 9 May 2017, the Group was served with a 'Notice of Arrest' (the "**Arrest Order**") in respect of the Jascon 30, a DP3 vessel, from the Federal High Court of Nigeria in the Port of Harcourt Judicial Division Holden at Port Harcourt (the "**Nigerian Court**").
- 4.7. The Arrest Order has been obtained pursuant to a claim by WAV that it had entered into a Memorandum of Agreement (the "**J30 MoA**") to purportedly purchase a 50% share of the Jascon 30 and subsequently had paid the full purchase price to the Group's pooled bank accounts (the "**J30 Claim**").

- 4.8. The MoA was never consummated, and the Group strongly denies that WAV has any ownership interest in the J30, or in any of the 36 other vessels owned by the Group. The Liquidators are working closely with the Company's management team ("**Management**") to seek to lift the arrest.
- 4.9. All of the DP3 vessels other than J30 are currently located outside Nigeria.

The OOIM Fleet

- 4.10. The OOIM vessels vary by type but are smaller service vessels operating in Nigeria. These are also, for the most part, mortgaged in favour of the Bond Trustee as collateral for the Bonds.
- 4.11. Whilst WAV and the Group were still effectively under the control of Mr. Jacobus Roomans ("**Mr. Roomans**"), the OOIM Fleet was operated by WAV, a Nigerian company, pursuant to bareboat charter agreements between WAV and the relevant vessel owning subsidiaries of the Company. Although following the (provisional) liquidation, Mr. Roomans has lost effective control of the Company, he still (beneficially) owns 99% of WAV's shares and appears to control its affairs.
- 4.12. Due to Mr. Roomans' former controlling interest in both, WAV and the Group have historically been operated with little or no distinction between specific legal entities, notwithstanding the fact that the Group is a separate corporate structure and WAV is not an obligor or guarantor under the Bonds. Resources such as senior management, systems and infrastructure have historically been shared between WAV and the Group.
- 4.13. Following the event of default under the Bonds in October 2016, relationships between the Group, the Bondholders and WAV have become increasingly strained and a number of material disputes have arisen between the Group and WAV.
- 4.14. As these issues impact the value of the Group, the Joint Liquidators, and previously the Provisional Liquidators, have incurred a significant amount of time addressing these with the Independent Directors, Management and key stakeholders.
- 4.15. The Joint Liquidators, in light of the ongoing disputes with WAV and WAV's current possession of the OOIM Fleet, are in conjunction with the Company's Directors, Management and legal counsel determining the appropriate steps to defend the Group's interest in the OOIM Fleet, both actively and reactively.
- 4.16. One such dispute relates to the alleged 'non-competition and non-circumvention agreement' (the "**Non-Circumvent Agreement**") which WAV has asserted exists between it, the Company and a number of the vessel owning subsidiaries. WAV has publicly asserted that the Non-Circumvent Agreement prohibits the Group, without WAV's consent, from chartering any of its vessels to any third party within Nigeria and West Africa, and has brought a claim in the Nigerian Court to enforce its purported rights under the Non-Circumvent and to prevent the Company and the relevant vessel owning Subsidiaries from *inter alia* deploying any vessels in Nigeria and/or West Africa and to prevent any of the vessels being sold (the "**Non-Circumvent Claim**").
- 4.17. The Group's position and that of the Joint Liquidators is that the Non-Circumvent is not a valid document and, further, that for various different reasons, the Company and the vessel owning Subsidiaries were never parties to the alleged agreement and can therefore never be bound by it. The Joint Liquidators have sought and obtained leave of the BVI Court to defend this action and they, the Company and the relevant vessel owning Subsidiaries, along with another party sued, have filed a preliminary objection in the Nigerian Court seeking to strike out the Non-Circumvent Claim.

Liquidity

- 4.18. Following their appointment the then Joint Provisional Liquidators worked with Management to understand the Group's liquidity position. The Group's base case short term cash flow forecast showed limited headroom and potential uncertainty around the timing of certain cash flows.

- 4.19. As a result of this, Management and the Provisional Liquidators determined it was necessary to seek further funding for the Group, in the amount of US\$25m (the “**Additional Liquidity**”). In view of the provisional liquidation and the level of Company debt, it was determined that the only feasible source of financing was from the Bondholders by way of a further bond (the “**Additional Liquidity Bond**”).
- 4.20. On 15 June 2017, a summons was issued pursuant to which Bondholders were invited to vote on whether they were in favour of STIL seeking the Additional Liquidity (the “**Proposal**”). Sufficient affirmative votes were received and therefore the Proposal became effective. The Additional Liquidity Bond was signed on 22 June 2017. The obligation to repay it ranks senior to the prior Bond.
- 4.21. The directors of the Subsidiaries continue to manage the Group’s liquidity position carefully and the Joint Liquidators monitor short term liquidity forecasts, discussing the position with the Bond Trustee’s financial advisors on a regular basis.

Cash at Bank

- 4.22. As at 5 May the Company held cash balances amounting to approximately US\$420k. These funds are now under the control of the Joint Liquidators. In addition to this there is \$9k held in a pre-appointment bank account which the Joint Liquidators are in the process of recovering.

5. Investigations

- 5.1. The Joint Liquidators have a statutory duty to investigate the affairs of the Company and to consider whether the Company and/or the Joint Liquidators have claims against any party involved in the affairs of the Company.
- 5.2. A number of matters requiring further investigation have been brought to the attention of the Joint Liquidators. Our review of these matters is continuing.
- 5.3. Letters have been issued to Mr. Roomans, and various members of his family, seeking explanations of various transactions which appear to have resulted in the dissipation of the Company’s assets for these individuals’ benefit and demanding repayment of these assets. The Joint Liquidators currently intend to pursue appropriate courses of action against Mr. Roomans, and the respective family members, in respect of these assets.

6. Creditors

Secured Creditors

- 6.1. The amount due to the Bondholders at the date of this report under the original Bond and the Additional Liquidity Bond amounts to approximately US\$507m plus accrued interest. The Bonds are secured by a pledge over the shares the Company holds in certain Subsidiaries and a floating charge over other assets.

Preferential Creditors and Unsecured Creditors

- 6.2. The Company has no preferential creditors.
- 6.3. The statement of affairs indicates that unsecured claims against the Company amount to approximately US\$7.6m. We understand that these relate to payments made by certain of the Subsidiaries on behalf of STGL. At the date of this report it is not clear whether the relevant Subsidiaries will submit claims against STGL.

7. Shareholders

- 7.1. In order for the Company's shareholders to receive a distribution from the Company, realisations from its assets and the proceeds of any claims commenced by the Joint Liquidators must exceed US\$507 million plus accrued interest.

8. Next steps

- 8.1. The Joint Liquidators will determine and (in conjunction with discussions with the secured creditor and Management) implement a strategy to maximise realisations from the DP3 Fleet and OOIM Fleet.
- 8.2. The Joint Liquidators will work with Management to protect the value of the Group's assets by defending and as appropriate initiating actions in respect of the Group's assets.
- 8.3. The Joint Liquidators will continue to investigate the affairs of the Company to determine whether any other recoveries can be made for the benefit of its stakeholders or, depending upon findings, whether any other legal action needs to be taken against the Company's former directors and parties related to them.



Ian Morton
Joint Liquidator
FTI Consulting

Appendix 1

Statutory information

Company name: Sea Trucks Group Limited

Company number: 1588282

Registered office: c/o Mossack Fonseca & Co (B.V.I) Ltd
Akara Building, 24 De Castro Street
Wickhams Cay I
Road Town, Tortola
VG1110
British Virgin Islands

Directors:

Director Name	Appointed	Ceased to act
IALD Management Ltd	27 September 2002	30 November 2009
ARA Management Limited	30 November 2009	10 February 2010
ATC Administrators Inc	10 February 2010	29 October 2015
Jacobus Johannes Roomans	29 October 2015	3 May 2017
Michael Stephen Chadwin	29 October 2015	24 February 2016
Harry Stephen Assiter	29 October 2015	11 April 2016
Caleb Raywood	29 October 2015	23 February 2016
Pieter De Ruiter	29 October 2015	5 April 2016
Maria Binte Mahat	29 October 2015	3 May 2017
Tom Ehret	1 December 2016	N/A
Don Featherstone	1 December 2016	N/A
Henk Vastenholt	1 December 2016	N/A

Appendix 2

Sea Trucks Group Limited
Statement of Affairs as at 5 May 2017

	Book Value US\$	Estimated to Realise US\$
Assets		
Assets specifically pledged		
Investment in subsidiaries which are guarantors of the Bonds issued by Sea Trucks Group Limited	TBC	1
Total assets specifically pledged	TBC	1
Assets not specifically pledged		
Cash at bank	429,442	429,442
Investments in subsidiaries to the extent they are not guarantors and/or not subject to share pledges	TBC	2,595,000
Total assets not specifically pledged	429,442	3,024,442
Liabilities		
Preferential creditors	nil	nil
Estimate (deficiency)/surplus of assets available after payment of preferential creditors	429,442	3,024,442
Debts secured by a floating charge		
Nordic Trustee ASA (Norway) as Bond Trustee on behalf of bondholders	(481,727,037)	(481,727,037)
Estimate (deficiency)/surplus of assets available for other non-preferential creditors	(481,297,595)	(478,702,594)
Other non-preferential creditors	(7,575,000)	(7,575,000)
Estimated (deficiency)/surplus as regards creditors	(488,872,595)	(486,277,594)
Issued and called up capital	268,146,000	268,146,000
Estimated total (deficiency)/surplus as regards members	(220,726,595)	(218,131,594)

The statement of affairs has been prepared by the Directors, the Joint Liquidators have not undertaken a detailed review of the information contained therein.

There appears to be arithmetic errors in the 'estimated total (deficiency)/surplus as regards members, based upon the information provided they should read (757,018,595) and (754,423,594).

FIRST REPORT TO CREDITORS

SEA TRUCKS GROUP LIMITED – IN LIQUIDATION

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