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To the bondholders in:

ISIN: NO 001 067386.6

FRN Island Offshore Shipholding L.P. Tranche A Senior  
Unsecured Callable Bond Issue 2013/2018 ("Tranche A")

ISIN: NO 001 076050.7

FRN Island Offshore Shipholding L.P. Tranche B Senior  
Unsecured Callable Bond Issue 2016/2019 ("Tranche B")

Oslo, 30 November 2017

## Summons to Bondholders' Meeting

Nordic Trustee AS acts as trustee (the "**Bond Trustee**") for the holders of bonds (the "**Bondholders**") in each of the above listed bond issues (together the "**Bonds**" or the "**Bond Issues**") issued by Island Offshore Shipholding L.P. as issuer (the "**Issuer**"). The Issuer and the subsidiaries outlined in Annex 1 are referred to as the "**Group**".

All capitalized terms used herein shall have the meaning assigned to them in the bond agreement originally dated 22 March 2013 as amended and restated on 29 March 2016, made between the Bond Trustee and the Issuer (the "**Bond Agreement**"), unless otherwise stated herein.

*The information in this summons letter regarding the Issuer and market conditions are provided by the Issuer, and the Bond Trustee expressly disclaims all liability whatsoever related to such information.*

## 1. OVERVIEW OF THE RESTRUCTURING

### 1.1 Background

In March 2016 the Issuer and certain of the entities of the Group reached agreement with the bank lenders having provided secured loans to finance their vessels. The agreement contained specific deferment of instalments and amendments to terms of such loans in order to assist these entities during the ongoing downturn in the market. In order to implement the agreement with the bank lenders certain amendments were also required to be made to the Bond Agreement and these were approved by the Bondholders on 16 March 2016.

The continued deterioration of the market conditions for owners and operators of offshore service vessels required the Issuer to re-commence the discussions with its key stakeholders on the conditions for a further restructuring of the long term debt of the Issuer and those of its subsidiaries having financed their vessels with secured bank debt.

Negotiations have been conducted with the above referred financial institutions having provided such secured bank financing (the "**Secured Lenders**"), the suppliers having provided secured and unsecured loans to various members of the Group (the "**Lending Suppliers**"), certain Bondholders in each of the Bond Issues, the principal owners of the Issuer; Borgstein Skipsinvest AS, Island

Investment L.L.C. and Amnor L.L.C. (together the "**Principal Owners**") and Borgstein AS and Alpha Marine Services, L.L.C. in their capacity as guarantors (the "**Guarantors**") in respect of the limited guarantee issued by them in favour the Secured Lenders financing two of the Issuer's vessels.

The negotiations with the Bondholders have been held with key Bondholders in each Bond Issue holding more than two thirds of the Outstanding Bonds in Tranche A and all of the Outstanding Bonds in Tranche B (together the "**Majority Bondholders**").

The Majority Bondholders have indicated their support for the Restructuring (as set forth in Section 3 (*The Proposal*) and Section 4 (*Conditions*) below).

In addition to this summons letter, the Issuer has provided a separate presentation (the "**Company Presentation**") (enclosed as Annex 1) which is intended to give background information and an update on the operational status of the Group. On 1 September 2017, the Issuer released its financial report for Q2 2017 which has been available on Stamdata.no in a separate presentation entitled "Financial Report".

Bondholders are encouraged to read these documents to obtain an understanding of the proposed restructuring.

## 1.2 Key terms of the restructurings

### 1.2.1 The different restructurings

Each member of the Group subject to the ongoing restructuring is restructured on a standalone basis, save for the Issuer and its wholly owned subsidiary Island Offshore X KS (together with its general partner, Island Offshore X AS; "**IO X**") where existing parent company guarantees from the Issuer to the Secured Lenders financing the vessels of IO X tie these entities together.

As to the other participating members of the Group, the Issuer holds a majority of the shares/partnership interest in these but has not provided any corporate guarantees as to the debt of these entities. However, the operations in the Issuer and IO X are to a certain extent integrated with and dependant on the operations of the other members of the Group and related entities. All vessels in the Group are under management by the same entity; Island Offshore Management AS ("**IOM**"). IOM is related to the Group through common ultimate ownership but is as such not part of the Group. IOM is also the holder of certain end-client contracts for vessels owned by the Issuer. Finally, there are intra-group debt and amounts outstanding between IOM and individual members of the Group. Consequently, the contemplated restructuring of the Issuer and IO X is also conditional upon (unless waived) the due execution and implementation of the restructuring of the other members of the Group (being Island Offshore III AS/ Island Offshore XI AS ("**IO III**"), Island Offshore VIII AS and KS ("**IO VIII**"), Island Offshore LNG Invest AS and KS ("**IO LNG Invest**"), Island Offshore LNG AS and KS ("**IO LNG**") and Island Offshore XII Ship AS ("**IO XII**"), hereinafter together referred to as the "**Other Group Companies**" and the contribution of funds to and by IOM as well as by the Principal Owners.

### 1.2.2 Secured debt

Each of the restructurings described herein contemplates a restructuring period commencing on 30 June 2017 and ending on 31 December 2020 (the "**Restructuring Period**"), during which the terms of

the Group's service of debt to the Secured Lenders (as defined below), subject to the satisfaction of certain conditions precedent, shall be amended.

The contemplated amendments to the senior secured bank facilities provided by the Secured Lenders financing the vessels owned by the Group (the "Facility Agreements") during the Restructuring Period can be summarised as follows:

- (i) Extension of maturities under the Facility Agreements to 31 December 2020, and corresponding extension of the term of any related bank guarantee or GIEK guarantee;
- (ii) Deferral of due but unpaid instalments of principal outstanding on 30 June 2017;
- (iii) An amended amortisation profile for the Restructuring Period based on agreed fixed amounts to be paid by the Issuer and each applicable member of the Group under their respective Facility Agreements, disregarding the reduction in fixed amortisation agreed in March 2016 (the "Agreed Fixed Amortisation");
- (iv) Separate cash sweep provisions for each restructuring securing the applicable Secured Lenders additional amortisation if such member of the Group performs better than expected during the Restructuring Period;
- (v) Redemption of the MNOK 75 guarantee issued by the Guarantors in favour of the Secured Lenders financing the Issuer's vessels Island Frontier and Island Wellserver by way of cash sweeps in the Issuer guaranteed by the Guarantors;
- (vi) The parent company guarantees from the Issuer to the Secured Lenders to IO X will be put on hold during the Restructuring Period but if the vessels in IO X do not generate enough cash to cover opex, maintenance capex and interest under the Facility Agreements in IO X and secured Seller's Credits, then the Issuer shall cover the shortfall;
- (vii) Separate amendments to the covenants and undertakings of the Issuer and each applicable member of the Group under the respective Facility Agreements including, without limitation, the waiver of all financial covenants save for the minimum liquidity/ free cash covenant<sup>1</sup>, and the alignment of all information and reporting covenants as per the strictest provisions in the applicable Facility Agreements;
- (viii) No amendments to the interest payment provisions or the security, and any intermediate agreements entered into with any of the Secured Lenders, including PIK payment agreements, to be terminated with retroactive effect from 30 June 2017; and
- (ix) No further drawdowns are to be made under any Facility Agreement, and any undrawn commitments shall be cancelled with retroactive effect from 30 June 2017; and

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<sup>1</sup> One exception applies: The amendment agreement for the Secured Debt in IO III (owning the vessel Island Constructor) there is a minimum loan to value covenant applicable 24 months from the Effective Date

- (x) The Issuer shall prior to each quarter make and forward to the Secured Lenders a forward looking forecast for the next 3 months. If the forecast shows that there will be insufficient funds to cover opex, maintenance capex, interest and fixed amortisation due under the Facility Agreement (as amended for the Restructuring Period) and guaranteed payments to IO X as described in (vi) above in the following quarter, even if some payments are delayed and after taking into account specific commitments (if any) from Principal Owners to contribute additional funds (in the form of equity or permitted loans) to remedy such shortfalls, the Issuer shall notify the Secured Lenders and thereafter only make payments as described above that are secured and payments that are necessary to protect values. The Issuer shall at the same time request a stand-still for all other payments, and a meeting between the Issuer, IO X and the Secured Lenders shall be called.

### 1.2.3 Equity contribution

The Principal Owners and minority shareholders of the Group will contribute in total MNOK 369 in cash as part of the restructurings of the Group out of which MNOK 336 is new equity to the Group and MNOK 33 is contributed by the Principal Owners to IOM to assist IOM in settling amounts due to members of the Group (being IO III and IO XII). Of the MNOK 336 in new equity contributed to the Group, MNOK 250 is contributed in cash by the Principal Owners as new equity to the Issuer. Of the MNOK 250, the Issuer will use MNOK 137 to settle claims for uncalled capital in the partnerships (Nw: *kommandittselskaper*) forming part of the Group. Together with MNOK 86 from the minority shareholders in these partnerships, all uncalled capital will be paid in (in total MNOK 223). Of the remaining MNOK 113 contributed by the Principal Owners as new equity to the Issuer, MNOK 62 shall be used to repay intra-group debt to IOM and MNOK 51 shall remain in the Issuer to improve its working capital.

As of the date of this Summons, the Principal Owners have paid in all uncalled capital to the partnerships by way of a subordinated loan to the Issuer with security in the same partnership shares as the uncalled capital obligation is settled. On implementation of the restructuring of the Issuer, these subordinated loans will be converted to equity in the Issuer. Further, as described above, the minority shareholders' part of the obligation to pay the uncalled capital in the partnerships of the Group amounts to MNOK 86. If and to the extent the minority shareholders failed to make such payments, the Principal Owners guaranteed the payment of such uncalled capital. However, all minority owners have at the date of this Summons fulfilled their payment obligations. Consequently, all MNOK 223 of uncalled capital has been paid to the Norwegian partnerships of the Group.

### 1.2.4 The Bond Issues

As part of the contemplated restructuring of the Issuer and IO X, the Issuer proposes certain amendments to the Bond Agreement, the key terms of which can be summarized as follows:

- (i) The Tranche A Maturity Date and the Tranche B Maturity Date shall be extended to 30 June 2021 (the "Final Maturity Date");



- (ii) In the period between the Date of Agreement and the Final Maturity Date, the cash interest on the Bonds shall be amended to reflect that from 30 June 2017 and until the Final Maturity Date, the cash interest on the Bonds is fixed at 1.25% per annum;
- (iii) The existing PIK Interest shall continue pursuant to Clause 9.4 (b) of the Bond Agreement, and no additional payment in kind (PIK) element shall be included;
- (iv) reduction in the number of Interest Payment Dates from four to two, amendments to the call option, reduced financial reporting and deletion of the put option in the event of change of control; and
- (v) A subordination agreement (the "**Subordination Agreement**") shall be executed by the Bond Trustee as bond trustee and security agent under the Bond Agreement and the Secured Lenders setting out that the Bonds rank after (i) the debt owed to the Secured Lenders and (ii) the guarantee obligation undertaken by the Issuer pursuant to the terms of the secured debt in IO X; and *pari passu* with the debt to the Lending Suppliers and that the Bondholders may only act on an Event of Default with the prior written consent of the Secured Lenders and must accept delayed payments under the Bond Agreement if there are insufficient funds at any time.

The amendments to the Bond Issue referred to herein will be documented by an amendment and restatement agreement ("**Amendment and Restatement Agreement**") which has attached to it the amended and restated Bond Agreement ("**Amended and Restated Bond Agreement**") and the Subordination Agreement. Both agreements are attached to this Summons as Annex 4 (together the "**Bond Amendments**"). For information purposes, we also enclose as Annex 5 a document showing by way of mark up the changes made to the Amended and Restated Bond Agreement compared to the existing agreement.

In order to give effect to the provision in (ii) above (i.e. that the Bonds shall earn cash interest at the rate of 1.25% per annum from 30 June 2017 and until the Final Maturity Date), the cash amount payable as interest from the Date of Agreement (being the date that the Bond Amendments take effect, see section 1.3 below) will be reduced until the difference between (i) the present Bond Reference Rate (3 months NIBOR) + the Margin (5.25% per annum) actually paid between 30 June 2017 and the Date of Agreement and (ii) the new Fixed Rate (1.25% per annum) has been recovered. The calculation of the amount and the intended schedule for its recovery is set forth in Annex 2 hereto. The calculation set forth in Annex 2 is made on the assumption that the Bond Amendments become effective before the Interest Payment Date that otherwise would occur on 5 January 2018 (i.e. that the Date of Agreement occurs prior to said date). If the Bond Amendments have not become effective on or before 5 January 2018, the Issuer is asking the Bondholders' Meeting to resolve as part of the Proposal (see clause 3 below) to postpone the payment of the cash interest otherwise due on 5 January 2018 until the next Interest Payment Date (i.e. 5 April 2018) and without any compensation for the delayed payment. If the Date of Agreement occurs *before* 5 April 2018, payment of cash interest on 5 April 2018 will be as per the Bond Amendments (and Annex 2 hereto). If the Date of Agreement has *not* occurred on or before 5 April 2018, cash interest will be paid as per the Bond Agreement prior to the Bond Amendments (including payment of the postponed cash interest as described herein).

### 1.2.5 Lending Suppliers

As part of the contemplated restructuring of the Issuer and IO X, the Issuer and IO X (as the case may be) are required to amend their loan agreements ("**Seller's Credits**") with the Lending Suppliers. Similar to the Bond Amendments, it is required that the Lending Suppliers accept that they may only act on an event of default under the respective Seller's Credits with the prior written consent of the Secured Lenders and that the Lending Suppliers must accept delayed payments under the Seller's Credits if there are insufficient funds at any time. Unsecured Seller's Credits must accept a reduction in cash interest to the same level as for the Bond; i.e. cash interest fixed at 1.25% per annum without any additional PIK interest. As for the Bonds, this reduction in interest will take retroactive effect from 30 June 2017.

No amendments are made to the interest on secured Seller's Credits.

### 1.2.6 Other initiatives/measures

In addition to the above, each applicable member of the Group is required to amend their management agreements with IOM to reflect that IOM cannot terminate the management agreements in the Restructuring Period, and amending the charter parties between the Issuer and IOM to better reflect the back-to-back structure with end clients. Further, IOM will streamline its management services and move ongoing R&D work out of IOM. In connection therewith, IOM will divest (all or some) of its shares in Island Offshore Subsea AS.

The restructuring of the Issuer and IO X provides for (i) the appointment of a supervisory committee in the Issuer, consisting of the four managers of the Issuer and two independent members appointed by the Issuer and approved by the Secured Lenders and (ii) the appointment of an independent member to the board of IOM. Finally, the restructuring of the Issuer and IO X requires that the Issuer shall remove or obtain back-to-back guarantees for undertakings by the Issuer to third parties (other than those referred to in section 1.3.2 above).

## **1.3 Implementation of the different restructurings**

The restructuring of the Issuer and IO X has been agreed and is binding when the Issuer and IO X on the one side and the Secured Lenders to the Issuer and IO X on the other side all confirm in writing that all conditions precedent set forth in the agreed term sheet for the Issuer and IO X have been fulfilled (or waived), such date being defined as the "**Date of Agreement**". The conditions for the Date of Agreement to occur are summarized as follows;

- (i) the equity injections by the Principal Owners and minority shareholders as described in section 1.2.3 above have been made and all uncalled capital has been paid to the partnerships (Nw; kommandittselskaper) in the Group subject to the restructuring;
- (ii) the contribution by the Principal Owners to IOM has been made and the intra group claims between the Issuer and IOM have been partially settled as described in section 1.2.3 above, the management agreements and charter parties between IOM and members of the relevant

members of the Group have been amended as described herein and the shares in IOM's subsidiary Island Offshore Subsea AS has been transferred to IOM's owners as described in section 1.2.6 above;

- (iii) agreement on and implementation of the contemplated restructuring of the Other Group Companies has been achieved as described herein or with such amendments as agreed among the relevant parties thereto provided such amendments have no adverse effect on the Issuer, IO X or IOM;
- (iv) the exposure of the Issuer under parent company guarantees/undertakings has been resolved as in section 1.2.2 (v) and (vi) and section 1.2.6;
- (v) satisfactory corporate approvals of all the contemplated restructurings as described herein are achieved and documented; and
- (vi) satisfactory documentation (Facility Agreements, Seller's Credits, Bond Agreement, inter creditor agreements etc.) applicable to the restructuring has been made implementing the terms of the restructuring as described herein.

As for the restructuring of IO III, this has been agreed and implemented: All uncalled capital of the partnership has been paid and received by IO III, intra-group receivable from IOM has been settled and the Facility Agreement has been amended.

All uncalled capital of IO VIII has been paid and the Facility Agreement has been amended. The uncalled capital of IO LNG Invest and IO LNG has been called and is due for payment on [•]. IO VIII, IO LNG Invest and IO LNG will be merged as part of the contemplated restructuring.

A proposal has been received from the Secured Lenders to IO XII for a restructuring thereof and negotiations with Vard Brevik is ongoing for delayed delivery of the newbuild Island Victory.

## 2. FURTHER INFORMATION

For more detailed information about the Issuer, please see [www.islandoffshore.com](http://www.islandoffshore.com) or contact:

Henning Sundet: +47 70 00 97 63 | [hsundet@borgstein.no](mailto:hsundet@borgstein.no)

The Issuer has engaged Carnegie AS as its financial advisor (the “Advisor”) with respect to the Proposal. Accordingly, Bondholders may contact the Advisor for further information:

Tobias Berdal-Sørensen: +47 93 40 93 82 | [tobias.berdal@carnegie.no](mailto:tobias.berdal@carnegie.no)

Torjus Krogdahl: +47 93 40 93 81 | [torjus.krogdahl@carnegie.no](mailto:torjus.krogdahl@carnegie.no)

The Advisor acts solely for the Issuer and no-one else in connection with the different restructurings described herein. Only limited due diligence investigations have been carried out by the Advisor with respect to the Issuer, and the Advisor expressly disclaims any and all liability whatsoever in connection with the Proposal (including but not limited to the information contained herein).

### 3. THE PROPOSAL

To enable the Issuer to implement the proposed restructuring of the Issuer and IO X, the Issuer has requested the Bond Trustee to summon a Bondholders' Meeting for each of the Bond Issues to consider the amendments to the Bond Issues contemplated by the restructuring.

The Issuer proposes that the Bondholders of each of the Bond Issues resolve the following (the "Proposal"):

- (i) to approve the restructuring of the Issuer and IO X;
- (ii) to approve the Bond Amendments;
- (iii) In the event that the Date of Agreement has not occurred on or before 5 January 2018, to postpone payment of cash interest otherwise due on 5 January 2018 until the next Interest Payment Date (and without any compensation for the delayed payment). If the Date Agreement occurs before 5 April 2018, payment of cash interest on the next Interest Payment Date (being 5 April 2018) will be as per the Bond Amendments.
- (iv) to authorise and instruct the Bond Trustee to take such steps on behalf of the Bondholders in each of the Bond Issues as may be necessary or desirable in connection with the implementation of the Restructuring, including without limitation to (a) finalise and enter into the necessary amendment agreements, including without limitation the Bond Amendments and other documentation it deems appropriate in connection with documenting the decisions made by each of the Bondholders' Meetings according to this summons letter, and (b) for and on behalf of the Bondholders in each of the Bond Issues, take such further actions and negotiate, agree, enter into, sign and execute such agreements and documents that are required to complete and give effect to the contemplated restructuring of the Issuer and IO X and the Proposal, including the granting of waivers, giving of instructions, consents, approvals and directions (including to the securities depository (VPS) and account operators);
- (v) to agree that the Bond Trustee may consent and agree to further amendments of the restructuring of the Issuer and IO X where such amendments are (a) consistent with the principles of said restructuring as set out in this summons letter, and (b) in the opinion of the Bond Trustee do not have a Material Adverse Effect on the rights and interests of the Bondholders in any of the Bond Issues;
- (vi) to waive any Event of Default resulting from the taking of any steps contemplated by and consistent with the restructuring of the Issuer and IO X as described herein;
- (vii) to agree that the Bond Trustee may exercise (or refuse to exercise) any discretion, consent or approval required or contemplated in the exercise (or non-exercise) of any such discretion which is connected with the matters referred to in this summons letter (including without limitation waive any time periods or deadlines), and that neither the Bond Trustee nor the Bondholders shall have any liability whatsoever to any Bondholders or any other person in connection with the exercise (or non-exercise) of any such discretion which is exercised in good faith; and

- (viii) to waive any obligation or covenant of the Issuer in the Bond Agreement that is reasonably necessary to waive in order to implement and complete the restructuring of the Issuer and IO X as described herein.

#### **4. CONDITIONS**

Implementation of the Proposal (except for the Proposal referred to in (iii) above) shall be subject to, and will only be effective upon the following having taken place:

1. Each and both of the Bondholders' Meetings have approved the entire Proposal;
2. The Bond Amendments are duly executed by the parties thereto; and
3. The Borrower has confirmed to the Bond Trustee that the Date of Agreement has occurred for the restructuring of the Issuer and IO X as contemplated herein.

Implementation of the Proposal referred to in (iii) above shall become effective upon each and both of the Bondholders' Meetings have approved the entire Proposal.

#### **5. EVALUATION OF THE PROPOSAL**

##### **5.1 The Issuer's evaluation**

In the Issuer's opinion, the Proposal represents the best alternative for the Bondholders given the current circumstances. It will allow the Issuer time and financial flexibility to pursue its strategy to the benefit of all stakeholders, including the Bondholders.

##### **5.2 The Bond Trustee's disclaimer/non-reliance**

The Proposal is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee and nothing herein shall constitute a recommendation to the Bondholders by the Bond Trustee.

The Bondholders must independently evaluate the Proposal and vote accordingly. It is recommended that the Bondholders seek counsel from their legal, financial and tax advisors regarding the effect of the Proposal.

##### **5.3 Bondholders' support**

The Issuer has informed the Bond Trustee that the Majority Bondholders have agreed to provide their support and vote in favour of adopting the Proposal by using their Voting Bonds.

#### **6. BONDHOLDERS' MEETING**

The Bondholders are hereby summoned to a joint Bondholders' Meeting for the Bond Issues. Voting will be carried out separately for each Bond Issue.

**Time:** 14 December 2017 at 13:00 CET

**Place:** The premises of Nordic Trustee AS  
Haakon VII's gt 1, 0161 Oslo - 6<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 adoption of the Proposal

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

*"The Bondholders Meeting approves the Proposal as described in Section 3 (The Proposal) of the summons for this Bondholders' Meeting.*

\* \* \*

To approve the Proposal, Bondholders representing more than 2/3 of the Voting Bonds represented (in person or by proxy) at each of the Bondholders' Meetings (for each of the Bonds) must vote in favour of the Proposal. In order to have a quorum at least 1/2 of the Voting Bonds must be represented at the relevant Bondholders' Meeting.

If the above resolutions are not adopted by all Bonds as proposed herein, the Bond Agreement will remain unchanged.

Please find attached a Bondholder's Form (Annex 3) 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 Bond Trustee to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorising Bond Trustee to vote, must then be returned to Nordic Trustee in due time before the meeting is scheduled (by scanned e-mail, telefax or post to mail@nordictrustee.com, +47 22 87 94 10, or Nordic Trustee AS, PO Box 1470 Vika, 0116 Oslo, Norway).

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 Bond Trustee, to notify the Bond Trustee 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 Business Day before the meeting takes place.

Yours sincerely

Nordic Trustee AS



Morten S. Bredesen

Enclosed:

Annex 1 - Company presentation

Annex 2 - Calculation of the amount that the Fixed Rate will be reduced with and the schedule for its recovery

Annex 3 - Bondholder's Form

Annex 4 - Bond Amendments

Annex 5: Mark up of the Amended and Restated Bond Agreement showing proposed changes compared to existing agreement.



# Presentation to bondholders

Oslo, November 2017



# Important information

This presentation has been prepared by Island Offshore Shipholding LP ("IOSH" or the "Company", and together with its subsidiaries, the "Group") for information purposes only and does not constitute, and shall not be construed as, any offer or invitation or recommendation to buy or sell any securities.

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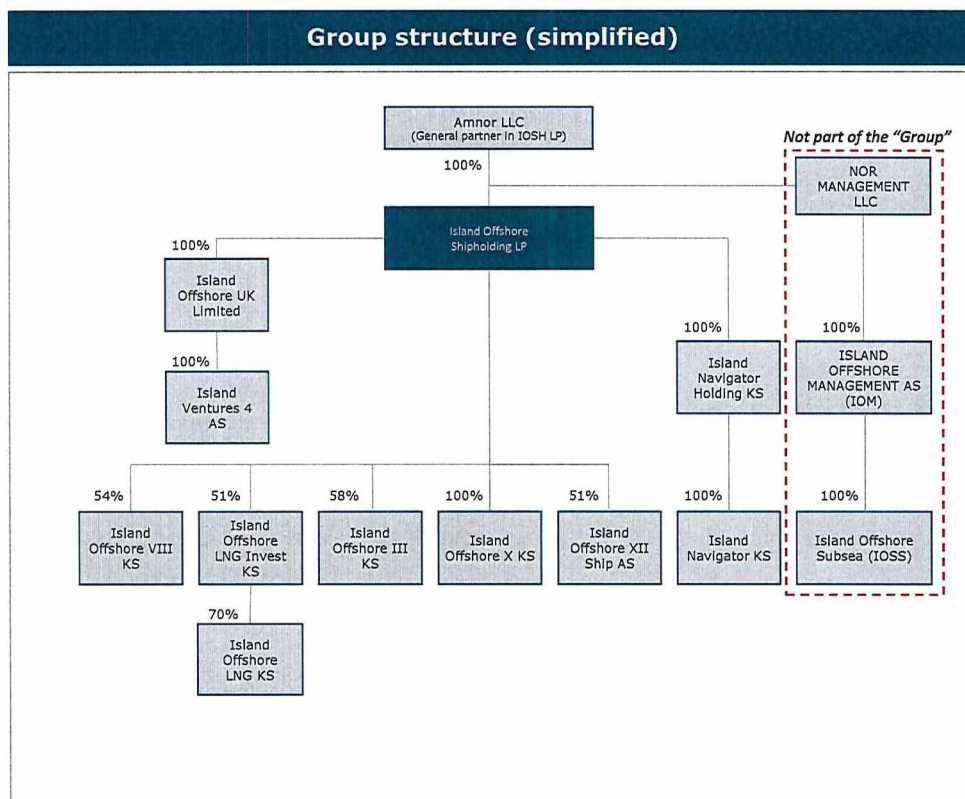
This presentation contains forward-looking statements, including statements about the Group's markets and its strategy, future operations and results thereof. Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact, and are sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements.

The information contained in this presentation should be considered in the context of the circumstances prevailing at the time and has not been, and will not be, updated to reflect material developments which may occur after the date of the presentation.

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# IOSH Group overview



Note: Includes Island Champion, which is on a sale lease-back; Source: Company Information.

**Leader**  
In Advanced Marine Operations

## Background

- The IOSH Group has eight vessel owning companies and controls a fleet of 25 vessels<sup>1</sup>
- It offers a range of complex services to the offshore industry including:
  - Light well intervention
  - Well stimulation
  - Subsea installation and maintenance
  - Walk-to-work
  - Anchor handling
  - Supply and logistic
  - Engineering and support services
- IOM serves as the end-client interface for the IOSH Group through management agreements
- IOM is responsible for marine and technical operations as well as chartering and crewing of the Group's fleet



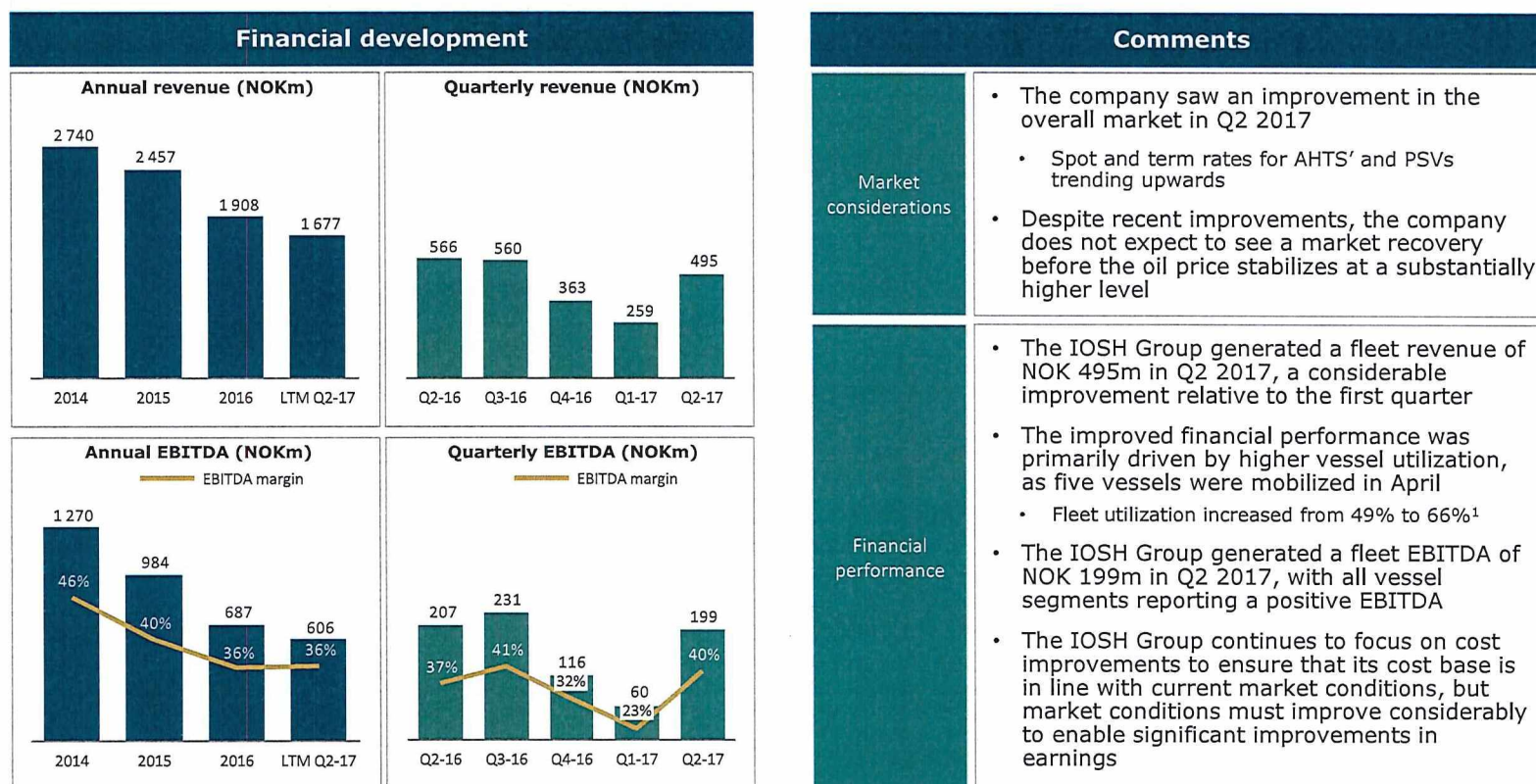
ISLAND OFFSHORE

## Situation backdrop

- The IOSH Group has been heavily impacted by the weakening of the OSV market, with revenue dropping from NOK 2,732m to NOK 1,908m from FY 2014 to FY 2016 and EBITDA dropping from NOK 1,270m to NOK 687m in the same period
- To adapt its operations to the current market environment, the Group has implemented several measures, including
  - Sale of assets
  - Cold stacking of vessels
  - Cost savings
- While these measures have had a positive impact on the Group's financial situation, it has not been enough and the Group has therefore been required to approach its lenders
- First, following a challenging 2015, the Group entered into discussions with a selection of its creditors in order to find a solution to its challenging financial position
- The Group was able to reach an agreement with its creditors in early 2016, which included
  - Partial reduction in amortization on selected bank loans
  - Reduced cash interest on its bond loan
  - Equity contribution from owners
- Second, following a weaker than expected market development through 2016, the Group entered into discussions with all of its creditors at the end of 2016
- The Group has been in continuous dialogue with its banks through the first half of 2017 and has now managed to reach an agreement with a majority of the banks to the shipowning entities



# Operational update (1/2)



Note: (1) Utilization includes vessels in lay-up; Source: Company reports





# Presentation to bondholders

November 2017



ISLAND OFFSHORE

# Important information

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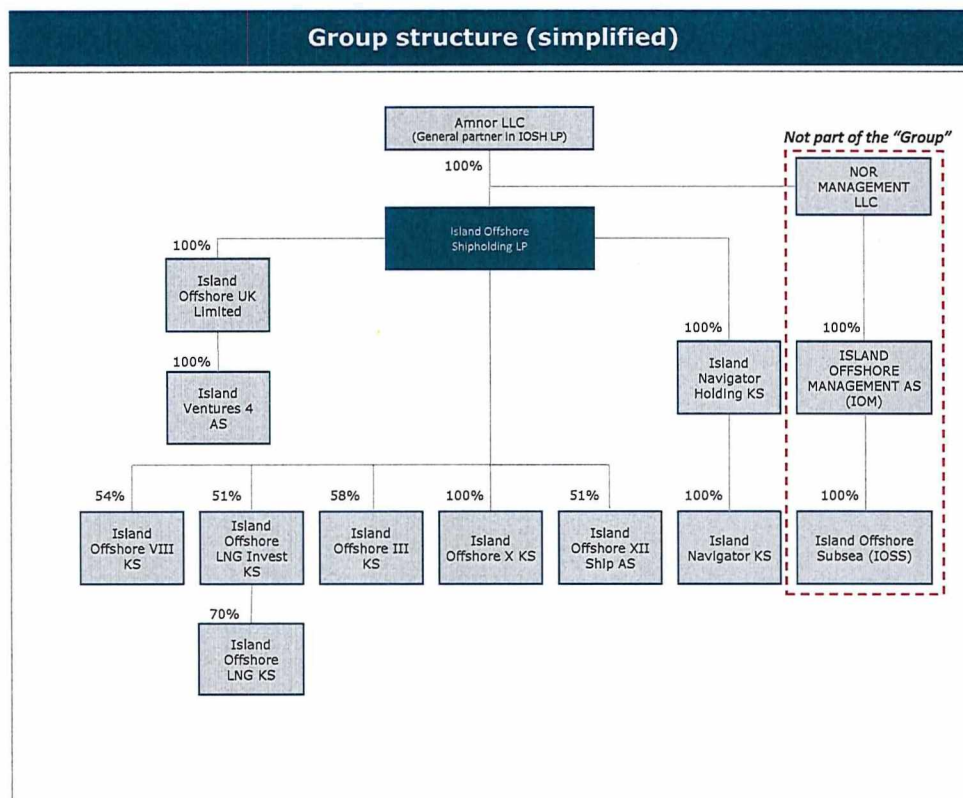
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# IOSH Group overview



Note: Includes Island Champion, which is on a sale lease-back; Source: Company Information.

Leader  
In Advanced Marine Operations

## Background

- The IOSH Group has eight vessel owning companies and controls a fleet of 25 vessels<sup>1</sup>
- It offers a range of complex services to the offshore industry including:
  - Light well intervention
  - Well stimulation
  - Subsea installation and maintenance
  - Walk-to-work
  - Anchor handling
  - Supply and logistic
  - Engineering and support services
- IOM serves as the end-client interface for the IOSH Group through management agreements
- IOM is responsible for marine and technical operations as well as chartering and crewing of the Group's fleet

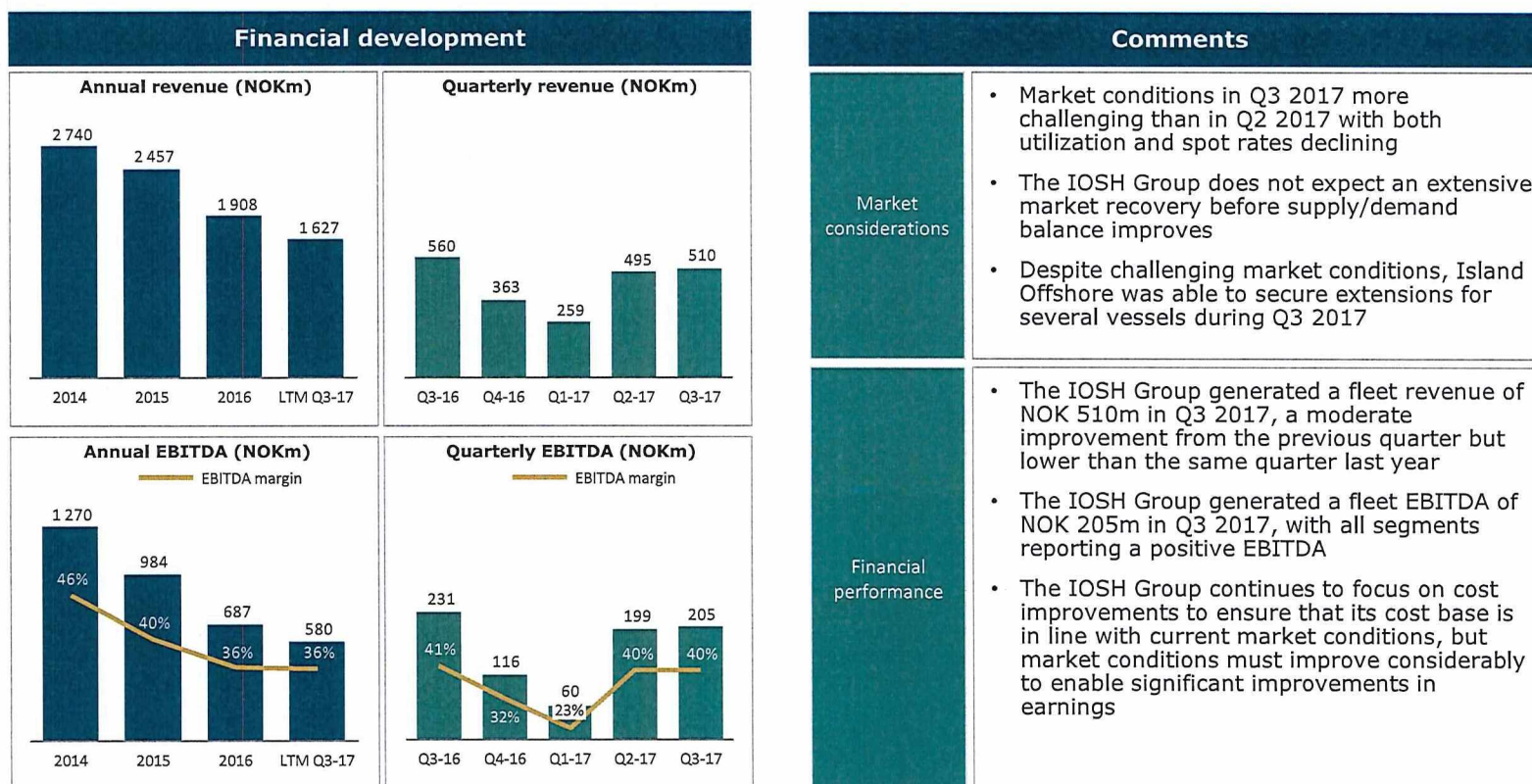




## Situation backdrop

- The IOSH Group has been heavily impacted by the weakening of the OSV market, with revenue dropping from NOK 2,740m to NOK 1,908m from FY 2014 to FY 2016 and EBITDA dropping from NOK 1,270m to NOK 687m in the same period
- To adapt its operations to the current market environment, the Group has implemented several measures, including
  - Sale of assets
  - Cold stacking of vessels
  - Cost savings
- While these measures have had a positive impact on the Group's financial situation, it has not been enough and the Group has therefore been required to approach its lenders
- First, following a challenging 2015, the Group entered into discussions with a selection of its creditors in order to find a solution to its challenging financial position
- The Group was able to reach an agreement with its creditors in early 2016, which included
  - Partial reduction in amortization on selected bank loans
  - Reduced cash interest on its bond loan
  - Equity contribution from owners
- Second, following a weaker than expected market development through 2016, the Group entered into discussions with all of its creditors at the end of 2016
- The Group has been in continuous dialogue with its banks through the first half of 2017 and has now managed to reach an agreement with a majority of the banks to the shipowning entities

# Operational update (1/2)



Source: Company reports

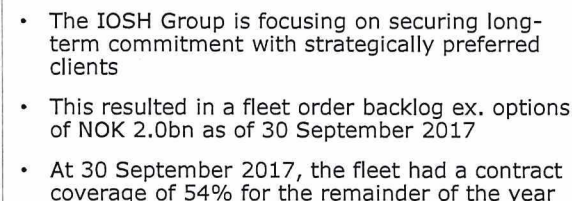
Leader  
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- The IOSH Group secured contracts for a number of its vessels in recent months, including:
  - Island Frontier & Island Wellserver: Secured 1 well extension with Statoil
  - Island Constructor: Will complete 2017 campaign with Shell in mid-Nov; has frame agreement with Shell for 2018; significant tender activity for 2018 work
  - Island Vallant: Secured 30 day contract (ex. options) with Intermoor for construction/P&A work
  - Island Crown: Secured work for Q4 2017 and ~150 days of work in 2018; significant tender activity
  - Island Contender: On extension contract (well) with Lundin, including extension options
  - Ocean Intervention III: Secured 5 month contract with Oceaneering in Angola
  - Island Commander: Secured 1 year extension with Lundin from November 2017
  - Island Pride: Will complete contract with Oceaneering in India mid-November; currently marketed for work globally

Note: (1) Historical figures include backlog relating to sold vessels (e.g. Island Performer); Source: Company reports

## Contract coverage and backlog



## Annex 2

In accordance with the contemplated restructuring and subject to Bondholder approval, the Bonds have carried the following cash interest rate from 30 June 2017:

Bonds<sub>New Fixed rate coupon</sub> = 1.25% p.a.

On the quarterly coupon payment dates that fell after the commencement of the Restructuring Period (i.e. 5 June 2017 and 5 October 2017), the Issuer paid cash interest on the Bonds in accordance with the following cash interest rate:

Bonds<sub>Old Floating rate coupon</sub> = 3 month NIBOR + cash margin of 2.41% p.a.

To ensure that the cash interest from the Effective Date to the Final Maturity Date is equal to the Bonds<sub>New Fixed rate coupon</sub>, the difference between the cash interest paid in accordance with the Bonds<sub>Old Floating rate coupon</sub> and the cash interest payable in accordance with the Bonds<sub>New Fixed rate coupon</sub> for the period from the Effective Date to 5 October 2017 (the "Excess Cash Amount") will be deducted from the next coupon payment, which, subject to Bondholder approval, falls due on 5 April 2018.

The amended cash interest to be paid for the period 5 October 2017 to 5 April 2018 will be calculated as follows:

- a) Cash coupon payable in accordance with the Bonds<sub>New Fixed rate coupon</sub> of NOK 3,100,877 on Tranche A and NOK 1,517,450 on Tranche B, less
- b) Excess Cash Amount of NOK 2,608,080 on Tranche A and NOK 1,276,295 on Tranche B, equals
- c) amended cash interest of NOK 492,796 on Tranche A and NOK 241,156 on Tranche B.

ISIN NO 001 067386.6 (Tranche A Bonds)  
ISIN NO 001 076050.7 (Tranche B Bonds)

**AMENDMENT AND RESTATEMENT AGREEMENT**

to

**THE BOND AGREEMENT**

between

**ISLAND OFFSHORE SHIPHOLDING, L.P.**  
("Issuer")

and

**NORDIC TRUSTEE AS**  
**(formerly Norsk Tillitsmann ASA)**  
("Bond Trustee")

on behalf of

**THE BONDHOLDERS**  
("Bondholders")

in the bond issue

FRN Island Offshore Shipholding, L.P. Tranche A Senior Unsecured Callable Bond Issue 2013/2018

FRN Island Offshore Shipholding, L.P. Tranche B Senior Unsecured Callable Bond Issue 2016/2019

**THIS AMENDMENT AND RESTATEMENT AGREEMENT** (the "**Agreement**") has been entered into on [•] 2017 between:

- (1) **ISLAND OFFSHORE SHIPHOLDING, L.P.** (an exempted limited partnership existing under the laws of the Cayman Islands with registration number 14597) as issuer, represented by its general partner Amnor, L.L.C., a limited liability company incorporated under the laws of Louisiana, USA, duly registered as a foreign company in the Cayman Islands (the "**Issuer**"), and
- (2) **NORDIC TRUSTEE AS** (formerly Norsk Tillitsmann ASA, a company existing under the laws of Norway with registration number 963 342 624) as bond trustee (the "**Bond Trustee**"),

(the parties referred to above in (1) and (2) above are jointly referred to herein as the "**Parties**").

## 1. BACKGROUND

- (A) Pursuant to a bond agreement originally dated 22 March 2013 and amended and restated by an amendment and restatement agreement dated 29 March 2016 (the "**Original Bond Agreement**"), made between the Issuer and the Bond Trustee (on behalf of the Bondholders), the Bondholders have made available to the Issuer a bond loan in two separate tranches with Tranche A Bonds in the amount of NOK 470,000,000 and Tranche B in the amount of NOK 230,000,000; in aggregate the amount of NOK 700,000,000, subject to the terms and conditions of the Original Bond Agreement.
- (B) The Issuer has requested certain amendment to the Original Bond Agreement as set out herein with the intention to *inter alia* (i) extend the maturity date, (ii) subordinate the Bonds to the debt provided to the Issuer under the senior secured first lien credit facilities and to those financial institutions having received parent company guarantees from the Issuer in relation to first lien credit facilities for vessels owned by the wholly owned subsidiary of the Issuer; Island Offshore X KS; make the Bonds rank *pari passu* with secured and unsecured debt provided by yards and suppliers in relation to financing of certain of the Issuer's vessels and make the Bonds rank ahead of unsecured debt and liabilities to certain parties related to the Issuer (iii) amend the financial covenants, and (iv) remove the requirement for the Bonds to be listed at Oslo Børs ASA's Alternative Bond Market;
- (C) On [•] 2017, the Issuer summoned a Bondholders' meeting (the "**Bondholders' Meeting**") and put forward to the Bondholders a proposal to make certain amendments to the Original Bond Agreement. The amendments were approved by the Bondholders' Meeting held on [•] 2017.
- (D) This Agreement sets out the amendments to the Original Bond Agreement approved by the Bondholders at the Bondholders' Meeting.

## 2. DEFINITIONS AND INTERPRETATION

- 2.1 In this **Agreement**, the following terms shall have the following meanings:



**"Amended and Restated Bond Agreement"** means the Original Bond Agreement as amended and restated by this Agreement in the form set out in Schedule 1 (*Amended and Restated Bond Agreement*).

**"Effective Date"** means the date the Bond Trustee has confirmed in writing to the Issuer that the conditions precedent pursuant to Clause 4 (*Conditions Precedent*) herein have been satisfied.

**"Senior Amendments"** means certain key amendments to be made to the Group's senior secured first lien credit facilities, as agreed between the Issuer and its key secured creditors in a non-binding term sheet.

- 2.2 Words and expressions used herein shall have the same meaning when used herein as set out in the Amended and Restated Bond Agreement unless expressly set out herein or the context otherwise requires.
- 2.3 The provisions of Clause 1.2 (*Construction*) of the Amended and Restated Bond Agreement apply to this Agreement as though they were set out herein in their entirety, except that references to the Amended and Restated Bond Agreement shall be construed as references to this Agreement.

### **3. AMENDMENTS TO AND RESTATEMENT OF THE ORIGINAL BOND AGREEMENT**

The Parties agree that on and with effect from the Effective Date the Original Bond Agreement shall be supplemented and amended and restated by this Agreement so that it shall then be in effect in the form set forth in Schedule 1 (*Amended and Restated Bond Agreement*) to this Agreement.

### **4. CONDITIONS PRECEDENT**

- 4.1 The amendments to the Original Bond Agreement as set out in Clause 3 (*Amendment to and restatement of the Original Bond Agreement*) are subject to the Bond Trustee having received all the documents and other evidence listed below:
- a) this Agreement duly executed by the Parties;
  - b) copies of the Certificate of Registration of Exempted Limited Partnership or other similar official document for the Issuer, evidencing that it is validly registered and existing;
  - c) copies of all necessary corporate resolutions of the Issuer and its general partner to execute this Agreement;
  - d) confirmation from the Issuer that the Senior Amendments have been approved by the Issuer and its key secured creditors and has become binding; and
  - e) any legal opinion reasonably required by the Bond Trustee in relation to the entry into of the Agreement,

each in form and substance satisfactory to the Bond Trustee, unless waived by the Bond Trustee in its discretion. The Bond Trustee shall notify the Issuer promptly upon being so satisfied.

- 4.2 If the conditions in Clause 4.1 above have not been fulfilled or waived by the Bond Trustee by 4 January 2018 (or by such later date as may be agreed in writing between the Bond Trustee and the Issuer), then this Agreement shall thereupon become null and void and neither of the Parties shall have any rights against the other Party hereunder.

## 5. REPRESENTATIONS

The Issuer represents and warrants to the Bond Trustee that on the date of this Agreement, the Effective Date and the Date of Agreement:

- a) **Powers and authority:** it has the power to enter into, perform and deliver, and has taken all necessary action to authorise the entry into, performance and delivery of this Agreement and the transactions contemplated hereby;
- b) **Consents:** all authorisations, approvals, consents, licences, exemptions, filings, registrations and other matters required by law for or in consequence of the entry into and performance by it of and/or the validity of this Agreement or the transactions to be implemented pursuant hereto have been obtained or effected or will be obtained or effected prior to the date required by law; and
- c) **Non-conflict:** the entry into and performance of this Agreement and the transactions contemplated hereby do not and will not conflict with:
  - (i) any applicable law or regulation or any applicable official or judicial order in any respect;
  - (ii) its constitutional documents or any of its resolutions (having current effect) or the constitutional document or any other resolution of any of its Subsidiaries; or
  - (iii) any agreement or instrument to which it or any of its Subsidiaries is a party or which is binding upon any of them or on any of their assets.
- d) **Bankruptcy:** neither the Issuer nor any Material Subsidiary have entered into any bankruptcy, liquidation, administration, receivership or any other insolvency procedure (or any analogous proceeding in any other jurisdiction), whether voluntary or involuntary.
- e) **Enforcement actions:** no enforcement or acceleration action have been taken by or on behalf of any of the lenders or finance parties to the Issuer or any Material Subsidiary under or in connection with any other indebtedness of the Issuer or any Material Subsidiary of the Issuer.

## 6. CONFIRMATION OF THE BOND AGREEMENT

- 6.1 The Issuer confirms that, notwithstanding the amendments effected by this Agreement, any reference in any Finance Document to the Original Bond Agreement shall be construed as a reference to the Original Bond Agreement as amended by this Agreement. As expressly modified by this Agreement, all terms and provisions of the Original Bond Agreement shall remain in full force and effect and are hereby ratified and confirmed in all respects by the Parties as if herein set forth in their entirety. All references in the Original Bond Agreement to "this Agreement", "hereof",



"hereby", "hereto", and the like shall, from the Effective Date, mean the Original Bond Agreement as hereby amended.

**7. MISCELLANEOUS**

- 7.1 This Agreement is a Finance Document.
- 7.2 This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.
- 7.3 The provisions of Clause 18.7 (*Dispute Resolution and Legal Venue*) of the Original Bond Agreement shall apply mutatis mutandis to this Agreement.

[Signatories are on the next page.]

## SIGNATORIES

**The Issuer:**

Island Offshore Shipholding, L.P.  
By Amnor, L.L.C., its general partner

**The Bond Trustee:**

Nordic Trustee AS

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

This Agreement has been executed in – 2 – two - copies (originals), of which the Issuer and the Bond Trustee keep one each.

**SCHEDULE 1**

**AMENDED AND RESTATED BOND AGREEMENT**

ISIN NO 001 067386.6 (Tranche A Bonds)  
ISIN NO 001 076050.7 (Tranche B Bonds)

**AMENDED AND RESTATED BOND AGREEMENT**  
originally dated 22 March 2013

between

**Island Offshore Shipholding, L.P.**  
(Issuer)

and

**Nordic Trustee AS**  
**(formerly Norsk Tillitsmann ASA)**  
(Bond Trustee)

on behalf of

**the Bondholders**

in the bond issue

1.25 per cent Island Offshore Shipholding, L.P. Tranche A Subordinated  
Unsecured Callable Bond Issue 2013/2021

1.25 per cent Island Offshore Shipholding, L.P. Tranche B Subordinated  
Unsecured Callable Bond Issue 2016/2021

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This agreement, originally entered into on 22 March 2013, as amended and restated by an amendment and restatement agreement on 29 March 2016 has been entered into on ..... 2017 between:

- (1) **Island Offshore Shipholding, L.P.** (an exempted limited partnership existing under the laws of the Cayman Islands with registration number 14597 as issuer, represented by its general partner Amnor, L.L.C., a limited liability company incorporated under the laws of Louisiana, USA, duly registered as a foreign company in the Cayman Islands (the “**Issuer**”), and
- (2) **Nordic Trustee AS** (formerly Norsk Tillitsmann ASA, a company existing under the laws of Norway with registration number 963 342 624) as bond trustee (the “**Bond Trustee**”).

## 1 Interpretation

### 1.1 Definitions

In this Bond Agreement, the following terms shall have the following meanings:

“**Account Manager**” means a Bondholder’s account manager in the Securities Depository.

“**Amendment and Restatement Agreement**” means the amendment and restatement agreement to this Bond Agreement dated .....2017 and made between the Issuer and the Bond Trustee.

“**Attachment**” means the attachments to this Bond Agreement.

“**Bond Agreement**” means this bond agreement, including any Attachments to it, each as amended from time to time.

“**Bond Issues**” means the Tranche A Bond Issue and the Tranche B Bond Issue.

“**Bondholder**” means a holder of Bond(s), as registered in the Securities Depository, from time to time.

“**Bondholders’ Meeting**” means a meeting of Bondholders, as set out in Clause 16.

“**Bonds**” means collectively the Tranche A Bonds and the Tranche B Bonds issued by the Issuer pursuant to this Bond Agreement.

“**Business Day**” means any day on which commercial banks are open for general business and can settle foreign currency transactions in Oslo.

“**Business Day Convention**” means that if the relevant Payment Date originally falls on a day that is not a Business Day, no adjustment will be made to the Interest Period.

“**Call Option**” shall have the meaning set out in Clause 10.2.

**“Change of Control Event”** means if and when any person or a group of persons acting in concert, other than Borgstein Skipsinvest AS or Island Investment LLC, directly or indirectly, acquires Decisive Influence over the Issuer and/or 50% of the limited partnership interests.

**“Date of Agreement”** has the meaning given to it in the Amendment and Restatement Agreement.

**“Decisive Influence”** means a person having, as a result of an agreement or through the ownership of shares or interests in another person:

- (a) a majority of the voting rights in that other person; or
- (b) a right to elect or remove a majority of the members of the board of directors of that other person.

When determining the relevant person’s number of voting rights in the other person or the right to elect and remove members of the board of directors, rights held by the parent company of the relevant person and the parent company’s Subsidiaries shall be included.

**“Defeasance Pledge”** shall have the meaning given to it in Clause 18.2.

**“Deferred Payments”** means the deferred payments set out in Schedule 1 hereto.

**“Enforcement Action”** has the meaning given to it in the Subordination Agreement.

**“Event of Default”** means the occurrence of an event or circumstance specified in Clause 15.1.

**“Face Value”** means the denomination of each of the Bonds, as set out in Clause 2.2 and Clause 2.3.

**“Finance Documents”** means (i) this Bond Agreement, (ii) the Amendment and Restatement Agreement, (iii) the Subordination Agreement, (iv) the agreement between the Bond Trustee and the Issuer referred to in Clause 14.2, and (v) any other document (whether creating a Security or not) which is executed at any time by the Issuer or any other person in relation to any amount payable under this Bond Agreement.

**“Financial Indebtedness”** means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account); and
- (h) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (g) above.

**“Financial Statements”** means the audited unconsolidated and consolidated annual financial statements of the Issuer for any financial year, drawn up according to GAAP, such accounts to include a profit and loss account, balance sheet, cash flow statement and report from the Board of Directors.

**“GAAP”** means the generally accepted accounting practice and principles of Norway including, if applicable, the International Financial Reporting Standards (IFRS) and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

**“Group”** means the Issuer and its Subsidiaries, and a **“Group Company”** means the Issuer or any of its Subsidiaries.

**“Interest Payment Date”** means 5 April and 5 October each year, the Tranche A Maturity Date and the Tranche B Maturity Date. Any adjustment will be made according to the Business Day Convention.

**“Interim Accounts”** means the unaudited unconsolidated and consolidated quarterly financial statements of the Issuer for any quarter ending on a Quarter Date, drawn up according to GAAP, including a management report.

**“ISIN”** means International Securities Identification Number – the identification number of the respective Bond Issue.

**“Issuer’s Bonds”** means any Bonds owned by the Issuer, any person or persons who has Decisive Influence over the Issuer, or any person or persons over whom the Issuer has Decisive Influence.

**“Manager”** means the manager(s) for the Bond Issues.

**“Material Adverse Effect”** means a material adverse effect on: (a) the business, financial condition or operations of the Issuer or the Group (taken as a whole), (b) the Issuer’s ability to perform and comply with its obligations under any of the



Finance Documents; or (c) the validity or enforceability of any of the Finance Documents.

**“Material Subsidiary”** means:

- (a) any Subsidiary whose total assets represent at least 10% of the total consolidated assets of the Group; or
- (b) any Subsidiary whose total operating income represents at least 10% of the total consolidated operating income of the Group; or
- (c) any other Subsidiary to which is transferred either (A) all or substantial all of the assets of another Subsidiary which immediately prior to the transfer was a Material Subsidiary, or (B) sufficient assets of the Issuer that such Subsidiary would have been a Material Subsidiary had a transfer occurred on or before the relevant date;

always provided that the Issuer shall, if required, appoint Subsidiaries as Material Subsidiaries to procure that the operating income, gross assets or net assets of the Material Subsidiaries shall represent at least 80% of the operating income, gross assets or net assets of the Group.

**“NOK”** means Norwegian kroner, being the lawful currency of Norway.

**“Original Bond Agreement”** means the bond agreement dated 22 March 2013 between the Issuer and the Bond Trustee as amended and restated by an amendment and restatement agreement dated 29 March 2016.

**“Outstanding Bonds”** means the Bonds not redeemed or otherwise discharged.

**“Party”** means a party to this Bond Agreement (including its successors and permitted transferees).

**“Paying Agent”** means the legal entity appointed by the Issuer to act as its paying agent in the Securities Registry with respect to the Bonds.

**“Payment Date”** means a date for payment of principal or interest under this Bond Agreement.

**“PIK Interest”** shall have the meaning given to it in Clause 9.1(b).

**“Quarter Date”** means each 31 March, 30 June, 30 September and 31 December.

**“Securities Depository”** means the securities depository in which the Bond Issues are registered, being Verdipapirsentralen ASA (VPS) in Norway.

**“Security Agent”** means the Bond Trustee in its capacity as security agent and/or security trustee pursuant to Clause 17.4, if at any time relevant.

**“Security”** means any encumbrance, mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

**“Security and Covenant Defeasance”** shall have the meaning given to it in Clause 18.2.

**“Senior Liabilities”** means the liabilities defined as Senior Liabilities in the Subordination Agreement.

**“Shareholder Loan”** means any loan granted to the Issuer by: (i) any of its shareholders, (ii) any person having Decisive Influence over a shareholder in the Issuer, or (iii) any person over which any person referred to in sub-paragraph (ii) has Decisive Influence (directly or indirectly) (which, for the avoidance of doubt, shall not include any Subsidiary of the Issuer or Island Offshore Management AS).

**“Stamdata”** means the web site [www.stamdata.no](http://www.stamdata.no), maintained by the Bond Trustee.

**“Subordination Agreement”** means the agreement entered into on or about the date of this Bond Agreement by and between the Issuer, Island Offshore X KS, the Bond Trustee on behalf of the Bondholders, Ulstein Verft AS, Rolls-Royce PLC., Vard Group AS and the Senior Finance Parties (as defined therein).

**“Subsidiary”** means a company over which another company has Decisive Influence.

**“Tranche A Bond Issue”** means the bond issue constituted by the Tranche A Bonds.

**“Tranche A Bonds”** means the series of bonds pursuant to this Bond Agreement constituting 1.25 per cent Island Offshore Shipholding, L.P. Tranche A Subordinated Unsecured Callable Bond Issue 2013/2018, with ISIN NO 001 067386.6.

**“Tranche A Issue Date”** means 5 April 2013.

**“Tranche A Maturity Date”** means 30 June 2021. Any adjustment will be made according to the Business Day Convention.

**“Tranche A Bondholders’ Meeting”** means a meeting of Tranche A Bondholders, as set out in Clause 16.

**“Tranche B Bond Issue”** means the bond issue constituted by the Tranche B Bonds.

**“Tranche B Bonds”** means series of bonds pursuant to this Bond Agreement constituting 1.25 per cent Island Offshore Shipholding, L.P. Tranche B Subordinated Unsecured Callable Bond Issue 2016/2019, with ISIN NO 001 076050.7.

**“Tranche B Bondholders’ Meeting”** means a meeting of Tranche B Bondholders, as set out in Clause 16.

**“Tranche B Issue Date”** means 31 March 2016.

**“Tranche B Maturity Date”** means 30 June 2021. Any adjustment will be made according to the Business Day Convention.

**“US Securities Act”** means the U.S. Securities Act of 1933, as amended.

**“Voting Bonds”** means the Outstanding Bonds less the Issuer’s Bonds.

**“Yard Liabilities”** means the liabilities defined as such in the Subordination Agreement.

## 1.2 *Construction*

In this Bond Agreement, unless the context otherwise requires:

- (a) headings are for ease of reference only;
- (b) words denoting the singular number shall include the plural and vice versa;
- (c) references to Clauses are references to the Clauses of this Bond Agreement;
- (d) references to a time is a reference to Oslo time unless otherwise stated herein;
- (e) references to a provision of law is a reference to that provision as it may be amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law, including any determinations, rulings, judgments and other binding decisions relating to such provision or regulation;
- (f) an Event of Default is **“continuing”** if it has not been remedied or waived; and
- (g) references to a **“person”** shall include any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality).

## 2 **The Bonds**

### 2.1 *Binding nature of this Bond Agreement*

- 2.1.1 By virtue of being registered as a Bondholder (directly or indirectly) with the Securities Depository, the Bondholders are bound by the terms of this Bond Agreement and any other Finance Document, without any further action required to be taken or formalities to be complied with, see also Clause 18.1.
- 2.1.2 This Bond Agreement is available to anyone and may be obtained from the Bond Trustee or the Issuer. The Issuer shall ensure that this Bond Agreement is available to the general public throughout the entire term of the Bonds. This Bond Agreement may be published on Stamdata or such other venues as decided by the Bond Trustee.

### 2.2 *Tranche A Bonds*

The Issuer has issued Tranche A Bonds in the amount of NOK 470,000,000 (Norwegian kroner four hundred and seventy million).

The Face Value is NOK 1.00. The Tranche A Bonds shall rank *pari passu* between themselves.

The Tranche A Bond Issue will be described as “1.25% Island Offshore Shipholding, L.P. Tranche A Subordinated Unsecured Callable Bond Issue 2013/2021”.

The ISIN of the Tranche A Bond Issue is NO 001 067386.6.

The tenor of the Tranche A Bonds is from and including the Tranche A Issue Date to the Tranche A Maturity Date.

### 2.3 *Tranche B Bonds*

The Issuer has issued Tranche B Bonds in the amount of NOK 230,000,000 (Norwegian kroner two hundred and thirty million).

The Face Value is NOK 1.00. The Tranche B Bonds shall rank *pari passu* between themselves.

The Tranche B Bond Issue will be described as “1.25 per cent Island Offshore Shipholding, L.P. Tranche B Subordinated Unsecured Callable Bond Issue 2013/2021”.

The ISIN of the Tranche B Bond Issue is NO 001 076050.7.

The tenor of the Tranche B Bonds is from and including the Tranche B Issue Date to the Tranche B Maturity Date.

## 3 **(Not Used)**

## 4 **Registration in the Securities Depository**

4.1 Each Bond Issue and the Bonds are registered in the Securities Depository according to the Norwegian Securities Depository Act (Act 2002/64) and the terms and conditions of the Securities Depository.

4.2 The Issuer shall ensure that correct registration in the Securities Depository has been made and shall notify the Securities Depository of any changes in the terms and conditions of this Bond Agreement. The Bond Trustee shall receive a copy of the notification. The registration may be executed by the Paying Agent.

4.3 The Bonds have not been registered under the US Securities Act, and the Issuer is under no obligation to arrange for registration of the Bonds under the US Securities Act.

## 5 **Purchase and transfer of Bonds**

5.1 Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s)

for doing business). Each Bondholder must ensure compliance with applicable local laws and regulations at its own cost and expense.

- 5.2 Notwithstanding the above, a Bondholder which has purchased the Bonds in breach of applicable mandatory restrictions may nevertheless utilize its rights (including, but not limited to, voting rights) under this Bond Agreement.

6 (Not used)

6.1 (Not used)

## 7 **Representations and Warranties**

7.1 The Issuer represents and warrants to the Bond Trustee that:

### 7.1.1.1 *Status*

It is an exempted limited partnership, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

### 7.1.1.2 *Power and authority*

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Bond Agreement and any other Finance Document to which it is a party and the transactions contemplated by those Finance Documents.

### 7.1.1.3 *Valid, binding and enforceable obligations*

This Bond Agreement and each other Finance Document to which it is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

### 7.1.1.4 *Non-conflict with other obligations*

The entry into and performance by it of this Bond Agreement and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any law or regulation or judicial or official order; (ii) its constitutional documents; or (iii) any agreement or instrument which is binding upon it or any of its assets.

### 7.1.1.5 *No Event of Default*

- (i) No Event of Default exists or is likely to result from the making of any drawdown under this Bond Agreement or the entry into, the performance of, or any transaction contemplated by, any other Finance Document.
- (ii) No other event or circumstance is outstanding which constitutes (or with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute)

a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or is likely to have a Material Adverse Effect.

#### *7.1.1.6 Authorizations and consents*

All authorisations, consents, approvals, resolutions, licenses, exemptions, filings, notarizations or registrations required:

- (i) to enable it to enter into, exercise its rights and comply with its obligations under this Bond Agreement or any other Finance Document to which it is a party; and
- (ii) to carry on its business as presently conducted and as contemplated by this Bond Agreement,

have been obtained or effected and are in full force and effect.

#### *7.1.1.7 Litigation*

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

#### *7.1.1.8 Financial Statements*

Its most recent Financial Statements and Interim Accounts fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with GAAP, consistently applied.

#### *7.1.1.9 No Material Adverse Effect*

Since the date of the Financial Statements, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

#### *7.1.1.10 No misleading information*

Any factual information provided by it to the subscribers or the Bond Trustee for the purposes of the Bond Issues was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

#### *7.1.1.11 No withholdings*

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under this Bond Agreement.

#### *7.1.1.12 Ranking*

Its payment obligations under this Bond Agreement or any other Finance Document to which it is a party rank as set out in Clause 8.1.

- 7.2 The representations and warranties set out in Clause 7.1 are made on the execution date of this Bond Agreement, and shall be deemed to be repeated on the Date of Agreement.

## 8 Status of the Bonds and security

- 8.1 The Bonds shall rank behind the Senior Liabilities and *pari passu* with the Yard Liabilities.
- 8.2 The Bonds are unsecured.

## 9 Interest

- 9.1 Interest shall accrue on the Bonds as follows:
- (a) cash interest shall accrue on the par value of the Bonds at a fixed rate of 1.25 per cent per annum (the “**Fixed Rate**”) ; and
  - (b) payment-in-kind interest (“**PIK Interest**”) shall accrue on the par value of the Bonds at the rate of two point eighty-four per cent. (2.84%) per annum .
- 9.2 The first NOK 2,608,080 of the cash interest accruing on the Tranche A Bonds and the first NOK 1,276,295 of the cash interest accruing on the Tranche B Bonds, pursuant to Clause 9.1(a) from the date of this Bond Agreement shall not be payable by the Issuer to the Bondholders, but be retained by the Issuer. Any additional cash interest accrued pursuant to Clause 9.1(a) shall, subject to Clause 15.5, be paid by the Issuer in arrears on each subsequent Interest Payment Date.
- 9.3 The Issuer shall pay any accrued PIK Interest on the Tranche A Bonds by issuing additional Tranche A Bonds to the Bondholders holding Tranche A Bonds on the applicable Interest Payment Date. The amount of additional Tranche A Bonds issued to a Bondholder holding Tranche A Bonds shall be calculated as the product of (x) the aggregate amount of accrued PIK Interest on the Tranche A Bonds for the previous six month period ending on the relevant Interest Payment Date and (y) a fraction, the numerator of which is the aggregate amount of Tranche A Bonds held by that Bondholder and the denominator of which is the aggregate amount of the Tranche A Bonds, provided that the total amount of additional Tranche A Bonds issued to a Bondholder shall be rounded to the nearest NOK 1.00.
- 9.4 The Issuer shall pay any accrued PIK Interest on the Tranche B Bonds by issuing additional Tranche B Bonds to the Bondholders holding Tranche B Bonds on each Interest Payment Date. The amount of additional Tranche B Bonds issued to a Bondholder holding Tranche B Bonds shall be calculated as the product of (x) the aggregate amount of accrued PIK Interest on the Tranche B Bonds for the previous six month period ending on the relevant Interest Payment Date and (y) a fraction, the numerator of which is the aggregate amount of Tranche B Bonds held by that Bondholder and the denominator of which is the aggregate amount of the Tranche B Bonds, provided that the total amount of additional Tranche B Bonds issued to a Bondholder shall be rounded to the nearest NOK 1.00.

- 9.5 Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each and, in case of an incomplete month, the actual number of days elapsed (30/360-days basis).

## 10 **Maturity of the Bonds and Redemption**

### 10.1 *Maturity*

The Tranche A Bonds shall mature in full on the Tranche A Maturity Date, and shall be repaid at par (100%) by the Issuer.

The Tranche B Bonds shall mature in full on the Tranche B Maturity Date, and shall be repaid at par (100%) by the Issuer.

### 10.2 *Call Option*

- 10.2.1 The Issuer may redeem the Tranche A Bonds in whole or in part at any time to, but not including, the Tranche A Maturity Date at 100% of par plus accrued interests on redeemed amount.
- 10.2.2 The Issuer may redeem the Tranche B Bonds in whole or in part with settlement date from and including the date on which the Tranche A Bond Issue has been redeemed in full to, but not including, the Tranche B Maturity Date at 100% of par plus accrued interests on redeemed amount.
- 10.2.3 Exercise of the Call Option shall be notified by the Issuer in writing to the Bond Trustee and the Bondholders at least thirty Business Days prior to the settlement date of the Call Option.
- 10.2.4 Partial redemption must be carried out *pro rata* (in accordance with the procedures of the Securities Depository).
- 10.2.5 On the settlement date of the Call Option, the Issuer shall pay to each of the Bondholders holding Bonds to be redeemed, in respect of each such Bond, the principal amount of such Bond and any unpaid interest accrued up to the settlement date.
- 10.2.6 Bonds redeemed by the Issuer in accordance with this Clause 10.2 shall be discharged against the Outstanding Bonds.

### 10.3 *Change of control*

- 10.3.1 No Change of Control Event will allow the Bondholder to require that the Issuer redeems any or all of the Bonds.

## 11 **Payments**

### 11.1 *Covenant to pay*



- 11.1.1 Subject to the Subordination Agreement the Issuer will on any Payment Date (or any other due date pursuant to any Finance Document) pay to or to the order of the Bond Trustee all amounts due under this Bond Agreement or any other Finance Document.
- 11.1.2 The covenant contained in Clause 11.1.1 shall be for the benefit of the Bond Trustee and the Bondholders.
- 11.2 *Payment mechanics*
  - 11.2.1 If no specific order is made by the Bond Trustee under Clause 11.1.1, the Issuer shall pay all amounts due to the Bondholders under this Bond Agreement or any other Finance Document by crediting the bank account nominated by each Bondholder in connection with its securities account in the Securities Depository.
  - 11.2.2 Payment shall be deemed to have been made once the amount has been credited to the bank which holds the bank account nominated by the Bondholder in question, but if the paying bank and the receiving bank are the same, payment shall be deemed to have been made once the amount has been credited to the bank account nominated by the Bondholder in question, see however Clause 11.3.
  - 11.2.3 In case of irregular payments, the Bond Trustee may instruct the Issuer or Bondholders of other payment mechanisms than described in Clause 11.2.1 or 11.2.2 above. The Bond Trustee may also obtain payment information regarding Bondholders' accounts from the Securities Depository or Account Managers.
  - 11.2.4 Subject to Clause 11.3, payment by the Issuer in accordance with this Clause 11.2 shall constitute good discharge of its obligations under Clause 11.1.1.
- 11.3 *Currency*
  - 11.3.1 If the Bonds are denominated in other currencies than NOK, each Bondholder has to provide the Paying Agent (either directly or through its Account Manager) with specific payment instructions, including foreign exchange bank account details. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, cash settlement may be delayed, and payment shall be deemed to have been made at the date of the cash settlement, provided however, that no default interest or other penalty shall accrue for the account of the Issuer.
  - 11.3.2 Except as otherwise expressly provided, all amounts payable under this Bond Agreement and any other Finance Document shall be payable in the same currency as the Bonds are denominated in. If, however, the Bondholder has not given instruction as set out in Clause 11.3 within five Business Days prior to a Payment Date, the cash settlement will be exchanged into NOK and credited to the NOK bank account registered with the Bondholder's account in the Securities Depository.
  - 11.3.3 Amounts payable in respect of costs, expenses, taxes and other liabilities of a similar nature shall be payable in the currency in which they are incurred.

#### 11.4 *Set-off and counterclaims*

The Issuer may not apply or perform any counterclaims or set-off against any payment obligations pursuant to this Bond Agreement or any other Finance Document.

#### 11.5 *Interest in the event of late payment*

- 11.5.1 In the event that any amount due under this Bond Agreement or any Finance Document is not made on the relevant due date and this is not due to an agreed deferral according to the provisions of the Subordination Agreement, the unpaid amount shall bear interest from the due date at an interest rate equivalent to the interest rate according to Clause 9 plus five per cent. (5.00%) per annum.
- 11.5.2 The interest charged under this Clause 11.5 shall be added to the defaulted amount on each respective Interest Payment Date relating thereto until the defaulted amount has been repaid in full.
- 11.5.3 The unpaid amounts shall bear interest as stated above until payment is made, whether or not the Bonds are declared to be in default pursuant to Clause 15.1.1.1, cf. Clauses 15.2 - 15.4.

#### 11.6 *Partial payments*

If the Bond Trustee or the Paying Agent receives a payment that is insufficient to discharge all the amounts then due and payable under the Finance Documents, that payment shall be applied in the following order:

- (a) first, in or towards payment of any unpaid fees, costs and expenses of the Bond Trustee under the Finance Documents;
- (b) secondly, in or towards payment of any accrued interest due but unpaid under the Bond Agreement, *pro rata* and without any preference or priority of any kind; and
- (c) thirdly, in or towards payment of any principal due but unpaid under the Bond Agreement, *pro rata* and without any preference or priority of any kind.

### 12 **Issuer's acquisition of Bonds**

The Issuer has the right to acquire and own Tranche A Bonds.

Any acquisitions of Tranche A Bonds by the Issuer or any person or persons over whom the Issuer has Decisive Influence shall require such party to make a public tender offer to all holders of Tranche A Bonds (excluding Issuer's Bonds).

The Issuer has the right to acquire and own Tranche B Bonds, from and including the date on which the Tranche A Bond Issue has been redeemed in full.

The Issuer's holding of Bonds may at the Issuer's discretion be retained by the Issuer, sold or discharged.

## 13 Covenants

### 13.1 General

- 13.1.1 The Issuer undertakes from the date of this Bond Agreement and until such time that no amounts are outstanding under this Bond Agreement or any other Finance Document, to the Bond Trustee, as further set out in this Clause 13.

### 13.2 Information Covenants

#### 13.2.1 The Issuer shall:

- (a) without being requested to do so, promptly inform the Bond Trustee in writing of any Event of Default, any event or circumstance which the Issuer understands or ought to understand may lead to an Event of Default and any other event which may have a Material Adverse Effect;
- (b) without being requested to do so, inform the Bond Trustee in writing if the Issuer agrees to sell or dispose of all or a substantial part of its assets or operations, or change the nature of its business;
- (c) at the request of the Bond Trustee, report the balance of the Issuer's Bonds;
- (d) without being requested to do so, send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;
- (e) if the Bonds are listed on an Exchange, without being requested to do so, send a copy to the Bond Trustee of its notices to the Exchange;
- (f) if the Issuer and/or the Bonds are rated, without being requested to do so, inform the Bond Trustee of its and/or the rating of the Bond Issues, and any changes to such rating;
- (g) without being requested to do so, inform the Bond Trustee of changes in the registration of the Bonds in the Securities Depository; and
- (h) within a reasonable time, provide such information about the Issuer's business, assets and financial condition as the Bond Trustee may reasonably request.

- 13.2.2 The Issuer shall confirm to the Bond Trustee in writing the Issuer's compliance with the covenants in this Clause 13, unless the Bond Trustee explicitly waives such requirement. Such confirmation shall be undertaken in a certificate, substantially in the form set out in Schedule 1 hereto, signed by the Chief Executive Officer or Chief Financial Officer of the Issuer (a "**Compliance Certificate**"). In the event of non-compliance, the Compliance Certificate shall describe the non-compliance, the reasons therefore as well as the steps which the Issuer has taken and will take in order to rectify the non-compliance.

### 13.3 *General Covenants*

#### 13.3.1.1 *Ranking*

The Issuer shall ensure that its obligations under this Bond Agreement and any other Finance Document shall at all time rank as set out in Clause 8.1.

#### 13.3.1.2 *Mergers*

The Issuer shall not, and shall ensure that no other Group Company shall, carry out any merger or other business combination or corporate reorganization involving a consolidation of the assets and obligations of the Issuer or any of the Subsidiaries with any other companies or entities if such transaction would have a Material Adverse Effect.

#### 13.3.1.3 *De-mergers*

The Issuer shall not, and shall ensure that no other Group Company shall, carry out any de-merger or other corporate reorganization involving a split of the Issuer or any of the Subsidiaries into two or more separate companies or entities, if such transaction would have a Material Adverse Effect.

#### 13.3.1.4 *Continuation of business*

The Issuer shall not cease to carry on its business, and shall procure that no substantial change is made to the general nature of the business of the Group from that carried on at the date of this Bond Agreement, and/or as set out in this Bond Agreement.

#### 13.3.1.5 *Disposal of business*

The Issuer shall not, and shall procure that no other Group Company shall, sell or otherwise dispose of all or a substantial part of the Group's assets or operations, unless:

- (i) the transaction is carried out at fair market value, on terms and conditions customary for such transactions; and
- (ii) such transaction would not have a Material Adverse Effect.

#### 13.3.1.6 *Arm's length transactions*

The Issuer shall not engage in, or permit any Subsidiary to engage in, directly or indirectly, any transaction with any party not being a Group Company (without limitation, the purchase, sale or exchange of assets or the rendering of any service), except in the ordinary course of business and pursuant to the reasonable requirement of the Issuer's or such Group Member's business and upon fair and reasonable terms that are no less favourable to the Issuer or such Group Company, as the case may be, than those which might be obtained in an arm's length transaction at the time.

#### 13.3.1.7 *Corporate status*

The Issuer shall not change its type of organization or jurisdiction of incorporation.

#### *13.3.1.8 Compliance with laws*

The Issuer shall, and shall ensure that all other Group Companies shall, carry on its business in accordance with acknowledged, careful and sound practices in all material aspects and comply in all material respects with all laws and regulations it or they may be subject to from time to time.

#### *13.3.1.9 Financial assistance*

The Issuer shall ensure that no Group Company grants any loan, guarantee or other financial assistance (including, but not limited to granting of security) to or on behalf of any third party not being a Group Company, other than in the ordinary course of business.

### *13.4 Special covenants*

#### *13.4.1.1 Ownership of Material Subsidiaries*

The Issuer shall not sell, transfer, assign or otherwise dilute or dispose of any shares or any other ownership interest in any Material Subsidiary to any person not being a Group Company, unless the transaction is carried out at fair market value, on terms and conditions customary for such transaction and further provided that such transaction does not have a Material Adverse Effect.

#### *13.4.1.2 Dividends and other distributions*

The Issuer shall not declare or make any dividend payments or other distributions or loans to its shareholders, whether in cash or in kind, including without limitation, repurchase of shares, any total return swaps or instruments with similar effect, or reductions in its share capital or equity.

#### *13.4.1.3 Subsidiaries' distributions*

The Issuer shall not permit any Subsidiary to create or permit to exist any contractual obligation (or encumbrance) restricting the right of any Subsidiary to (i) pay dividends or make other distributions to its shareholders, (ii) service any financial indebtedness to the Issuer, (iii) make any loans to the Issuer, if the creation of such contractual obligation is reasonably likely to prevent the Issuer from complying with its payment obligations under the Bond Agreement, except as set forth in or to the extent required to comply with customary cash waterfall provisions, financial covenants or other similar restrictions in financing agreements, or in any shareholders' or joint venture agreements governing any Subsidiary which is not directly or indirectly wholly owned by the Issuer.

#### *13.4.1.4 Subordination of Shareholder Loans*

The Issuer shall ensure that any Shareholder Loan shall in all respect be fully subordinated to the Bonds, and that no repayment of principal and payment of cash interest shall be made in respect of any Shareholder Loan (for the avoidance of doubt, any accrued interests shall be accumulated and added to the principal of such Shareholder Loan).

#### *13.4.1.5 Capital expenditures*

The Issuer shall ensure that there shall be no new capital expenditures by the Issuer except for:

- (i) capital expenditure connected to normal maintenance to operate vessels currently owned by the Group;

#### *13.4.1.6 Contribution and loans by the Issuer to Group Companies*

The Issuer shall not make any loans to (short or long-term), any equity contributions to or investments in (including by conversion of debt to equity) other Group Companies, if the making of such loans, equity contributions or investments is reasonably likely to prevent the Issuer from complying with its payment obligations under the Bond Agreement as amended by the Subordination Agreement.

### *13.5 Financial covenants*

The financial covenants set forth in this Clause 13.5 shall be suspended until the Tranche A Maturity Date/Tranche B Maturity Date.

#### *13.5.1.1 Value Adjusted Equity Ratio*

The Issuer shall ensure that the Value Adjusted Equity Ratio of the Group on a consolidated basis shall not fall below 15%.

#### *13.5.1.2 Liquidity*

The Issuer shall ensure that it maintains Cash and Cash Equivalents in an amount of no less than NOK 50 million on an unconsolidated basis.

#### *13.5.1.3 Debt Service Coverage Ratio*

The Issuer shall (on an unconsolidated basis) maintain a ratio of EBITDA to Debt Service of:

- (i) for the Relevant Periods ending 31 December 2015, 31 March 2016, 30 June 2016, 30 September 2016 and 31 December 2016: minimum 0.6; and
- (ii) for the Relevant Periods ending 31 March 2017 (and each Relevant Period thereafter): minimum 1.10,

unless the Issuer's Cash and Cash Equivalents (on an unconsolidated basis) exceeds 50% of aggregate instalments which would have been due during the subsequent 12 months period if the Deferred Payments had not been deferred, and excluding, for the avoidance of doubt, any balloon payments, in which case the Debt Service Cover Ratio set out in (i) to (ii) above shall not apply.

#### *13.5.1.4 Gearing Ratio*

The Issuer shall ensure that the Group on a consolidated basis maintains a maximum Gearing Ratio of:

- (i) for the Relevant Periods ending 31 December 2015, 31 March 2016, 30 June 2016, 30 September 2016 and 31 December 2016: 8.5;
- (ii) for the Relevant Period ending 31 March 2017, 30 June 2017, 30 September 2017 and 31 December 2017: 7.5; and
- (iii) for the Relevant Period ending 31 March 2018 (and each Relevant Period thereafter): 6.0.

The Issuer undertakes to comply with (a) to (d) above at all times, such compliance to be measured for each Relevant Period and certified according to Clause 13.2.2.

If the Issuer fails (or would otherwise fail) to comply with any of the financial covenants for any Relevant Period, and within 25 Business Days of delivery of the compliance certificate for that Relevant Period, the Issuer receives net cash proceeds from any person (other than a Group Member) in consideration of the issue of new limited partnership interests (a “**Cure Amount**”), then such financial covenant shall be recalculated giving effect to the following pro forma adjustments, as relevant:

- (a) for the purpose of measuring the Book Equity, the Book Equity shall be increased by the Cure Amount;
- (b) for the purpose of measuring the Gearing Ratio, the Net Interest Bearing Debt shall be reduced by the Cure Amount;
- (c) for the purpose of measuring the Liquidity, the Cash and Cash Equivalent shall be increased by the Cure Amount to the extent the Issuer has free and unrestricted access to the Cure Amount and the Cure Amount is not subject to any encumbrance; and
- (d) for the purpose of measuring the Debt Service Coverage Ratio, Debt Service shall be recalculated for the Relevant Period and the following three Relevant Periods, as if the Cure Amount had been applied in prepayment of the Bonds at the beginning of the Relevant Period (such period the “**First Relevant Period**”) and interest accruing on the Bonds during the First Relevant Period had been decreased by an amount equal to the interest which would have accrued on the amount deemed to have been prepaid over the First Relevant Period (such reduction to have effect also for the three next Relevant Periods, as if the Cure Amount was applied in prepayment of the Bonds at the beginning of the First Relevant Period).

For the avoidance of doubt, any part of a Cure Amount shall only be taken into account once when determining compliance with any particular financial covenant and cannot be double counted.

If, after giving effect to the foregoing recalculations, the Issuer is in compliance with all the financial covenants, the Issuer shall be deemed to have satisfied the requirements of the financial covenants as of the relevant original date of determination as though there had been no failure to comply with such requirement, and the breach of the applicable financial covenants which had occurred shall be deemed to have been cured.

**“Book Equity”** means the Issuer’s consolidated book equity, calculated in accordance with the GAAP, plus the amount of any Shareholder Loan that is not considered as book equity pursuant to GAAP.

**“Cash and Cash Equivalent”** means the amounts (expressed in NOK or NOK equivalent) on such date of the then current market value of:

- (a) cash in hand or amounts standing to the credit of any current and/or on deposit accounts with an acceptable bank; and
- (b) time deposits with acceptable banks and certificates of deposit issued, and bills of exchange accepted, by an acceptable bank,

in each case to which the Issuer (or, when calculating on a consolidated basis any other Group Company, as the case may be) is beneficially entitled at that time and to which the Issuer (or any such Group Company) has free and unrestricted access and which is not subject to any encumbrance. Any amount standing to the credit of any earnings accounts of the Issuer (or any other Group Company, as the case may be) shall be regarded as Cash and Cash Equivalents as long as no event of default has occurred under any of the Issuer’s or any other Group Companies’ credit facilities (including the Bond Issues). An “acceptable bank” for this purpose is:

- (i) a commercial bank, savings bank and trust company which has a minimum “A” credit rating from S&P or Moody’s or a comparable rating from a nationally recognised credit ranking agency for its long-term debt obligations; or
- (ii) a bank or financial institution which is authorised to carry on banking business in Norway.

**“Debt Service”** means, in respect of any Relevant Period, the aggregate of accrued interest and instalments payable on all Interest Bearing Debt.

**“EBITDA”** means, in respect of any Relevant Period, earnings before interest, taxes, depreciation and amortization, on a consolidated basis for the Group or on an unconsolidated basis for the Issuer, as the case may be.

**“Excess Value”** means the positive or negative difference between the Market Value of the Vessels and the book value of the Vessels.

**“Gearing Ratio”** means the ratio of Net Interest Bearing Debt to EBITDA.

**“Interest Bearing Debt”** means all interest bearing debt of the Issuer on an unconsolidated basis or the Group on a consolidated basis, as the case may be, always in accordance with GAAP.

**“Market Value of the Vessels”** means the consolidated fair market value of the Vessels set as the average value of the Vessels (for vessels under construction, estimated market value of a delivered vessel adjusted for remaining capex) from two reputable and independent appraisers appointed by the Issuer. Such appraisers to be the same appraisers as for any bank loan facilities, to the extent possible. Such valuations shall be made on the basis of a sale for prompt delivery for cash at arm’s



length terms as between a willing buyer and a willing seller, on an “as is where is” basis, free of any existing charter or other contract of employment. Market Value of the Vessels shall be determined twice a year, on account of the Issuer.

**“Net Interest Bearing Debt”** means Interest Bearing Debt (excluding any Shareholder Loan) less Cash and Cash Equivalents, each of the Issuer on an unconsolidated basis or the Group on a consolidated basis, as the case may be.

**“Relevant Period”** means each period of twelve months ending on a Quarter Date.

**“Value Adjusted Equity”** means the Book Equity adjusted to take into account any Excess Value.

**“Value Adjusted Equity Ratio”** means the ratio of Value Adjusted Equity to Value Adjusted Total Assets

**“Value Adjusted Total Assets”** means the book value, on a consolidated basis, of the Group’s total assets in accordance with GAAP adjusted to take into account any Excess Value.

**“Vessels”** means all and any vessel owned by a Group Company including any vessels under construction.

#### 14 Fees and expenses

- 14.1 The Issuer shall cover all costs and expenses incurred by it or the Bond Trustee (and/or the Security Agent) in connection with this Bond Agreement and the fulfilment of its obligations under this Bond Agreement or any other Finance Document, including in connection with the negotiation, preparation, execution and enforcement of this Bond Agreement and the other Finance Documents and any registration or notifications relating thereto (including any stamp duty), the listing of the Bonds on an Exchange (if applicable), and the registration and administration of the Bonds in the Securities Depository. The Bond Trustee may withhold funds from any escrow account (or similar arrangement) or from other funds received from the Issuer or any other person, irrespective of such funds being subject to Security under a Finance Documents, to set-off and cover any such costs and expenses.
- 14.2 The fees, costs and expenses payable to the Bond Trustee (and/or the Security Agent) shall be paid by the Issuer and are set out in a separate agreement between the Issuer and the Bond Trustee (and/or the Security Agent).
- 14.3 Fees, costs and expenses payable to the Bond Trustee (or the Security Agent) which, due to the Issuer’s insolvency or similar circumstances, are not reimbursed in any other way may be covered by making an equivalent reduction in the proceeds to the Bondholders hereunder of any costs and expenses incurred by the Bond Trustee (or the Security Agent) in connection with the restructuring or default of the Bond Issues and the enforcement of any Security.

- 14.4 Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer is not responsible for reimbursing any such fees.
- 14.5 The Issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to the Bondholders.
- 14.6 If the Issuer is required by law to withhold any withholding tax from any payment under any Finance Document:
- (a) the amount of the payment due from the Issuer shall be increased to such amount which is necessary to ensure that the Bondholders receive a net amount which is (after making the required withholding) equal to the payment which would have been due if no withholding had been required; and
  - (b) the Issuer shall at the request of the Bond Trustee deliver to the Bond Trustee evidence that the required tax reduction or withholding has been made.
- 14.7 If any withholding tax is imposed due to subsequent changes in applicable law after the date of this Bond Agreement, the Issuer shall have the right to call all but not some of the Bonds at par value plus accrued interest. Such call shall be notified by the Issuer in writing to the Bond Trustee and the Bondholders at least thirty - 30 - Business Days prior to the settlement date of the call.

## 15 **Events of Default**

- 15.1 Subject always to the provisions of Clause 15.5 the Bond Trustee may declare the Bonds to be in default upon occurrence of any of the following events:

### *15.1.1.1 Non-payment*

The Issuer fails to fulfil any payment obligation due under this Bond Agreement or any Finance Document when due, unless, in the opinion of the Bond Trustee, it is likely that such payment will be made in full within five Business Days following the original due date.

### *15.1.1.2 Breach of other obligations*

The Issuer does not comply with any provision pursuant to this Bond Agreement or any other Finance Document, unless, in the opinion of the Bond Trustee, such failure is capable of being remedied and is remedied within ten Business Days after notice thereof is given to the Issuer by the Bond Trustee.

### *15.1.1.3 Cross default*

If for any Group Company:

- (i) any Financial Indebtedness is not paid when due nor within any originally applicable grace period;

- (ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);
- (iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or
- (iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

always provided that a threshold in the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above of a total of NOK 25 million, or the equivalent thereof in other currencies, shall apply.

#### *15.1.1.4 Misrepresentations*

Any representation, warranty or statement (including statements in compliance certificates) made under this Bond Agreement or any other Finance Document or in connection therewith is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made.

#### *15.1.1.5 Insolvency*

- (i) The Issuer or any Material Subsidiary is unable or admits inability to pay its debts as they fall due or suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (ii) The value of the assets of the Issuer or any Material Subsidiary is less than its liabilities (taking into account contingent and prospective liabilities)
- (iii) A moratorium is declared in respect of any indebtedness of the Issuer or any Material Subsidiary.

#### *15.1.1.6 Insolvency proceedings and dissolution*

If for the Issuer or any Material Subsidiary, any corporate action, legal proceedings or other procedure step is taken in relation to:

- (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than solvent liquidation or reorganization;
- (ii) a composition, compromise, assignment or arrangement with any creditor, having an adverse effect on the Issuer's ability to perform its payment obligations hereunder;

- (iii) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or
- (iv) its dissolution,

or any analogous procedure or step is taken in any jurisdiction.

This Clause 15.1.1.6 shall not apply to any winding-up petition or analogous action or procedure which is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of its commencement.

#### *15.1.1.7 Creditors' process*

The Issuer or any Material Subsidiary has a substantial proportion of the assets impounded, confiscated, attached or subject to distraint, or is subject to enforcement of any Security over any of its assets.

#### *15.1.1.8 Impossibility or illegality*

It is or becomes impossible or unlawful for any Group Company to fulfil or perform any of the terms of any Finance Document to which it is a party.

#### *15.1.1.9 Material Adverse Change*

Any other event or circumstance occurs which, in the reasonable opinion of the Bond Trustee, after consultations with the Issuer, would have a Material Adverse Effect.

- 15.2 In the event that one or more of the circumstances mentioned in Clause 15.1 occurs and is continuing, the Bond Trustee can, subject to the provisions of Clause 15.5 in order to protect the interests of the Bondholders, declare the Outstanding Bonds including accrued interest, costs and expenses to be in default and due for immediate payment.

The Bond Trustee may at its discretion, take every measure necessary to recover the amounts due under the Outstanding Bonds, and all other amounts outstanding under this Bond Agreement and any other Finance Document.

- 15.3 In the event that one or more of the circumstances mentioned in Clause 15.1 occurs and is continuing, the Bond Trustee shall subject to the provisions of Clause 15.5 declare the Outstanding Bonds including accrued interest, costs and expenses to be in default and due for immediate payment if:
- (a) the Bond Trustee receives a demand in writing that a default shall be declared from Bondholders representing at least 1/5 of the Voting Bonds, and the Bondholders' Meeting has not decided on other solutions, or
  - (b) the Bondholders' Meeting has with simple majority decided to declare the Outstanding Bonds in default and due for payment.

In either case the Bond Trustee shall take every measure necessary to recover the amounts due under the Outstanding Bonds.

- 15.4 In the event that the Bond Trustee pursuant to the terms of Clauses 15.2 or 15.3 declares the Outstanding Bonds to be in default and due for payment, the Bond Trustee shall immediately deliver to the Issuer a notice demanding payment of interest and principal due to the Bondholders under the Outstanding Bonds including accrued interest and interest on overdue amounts and expenses. The claim derived from the Outstanding Bonds due for payment as a result of an Event of Default shall be calculated at the prices set out in Clause 10.2.

**15.5 Restriction on Enforcement etc.**

Payments of interest hereunder shall always be subject to the Operational Earnings Waterfall as set forth in Schedule 3.

Notwithstanding anything to the contrary set forth herein; the Bond Trustee and the Bondholders shall not be entitled to declare the Bonds including accrued interest, costs and expenses to be in default and due for immediate payment or take any Enforcement Action (as this term is defined in the Subordination Agreement) in respect of the Bonds without the prior written consent of each Senior Finance Party (as this term is defined in the Subordination Agreement) and unless and until such consent is provided, no Event of Default shall be deemed to exist hereunder.

**16 Bondholders' Meeting**

The provisions contained in this Clause 16 shall be subject to separate voting rights of the Tranche A Bondholders and the Tranche B Bondholders, including the resolution and voting requirements set out in Clause 16.3 which shall apply to each of the tranches individually. For the avoidance of doubt, any decision (including but not limited to changes or amendments to the Bond Agreement) made in the Tranche A Bondholders' Meeting shall only apply to the Tranche A Bonds and any decision (including but not limited to changes or amendments to the Bond Agreement) made in the Tranche B Bondholders' Meeting shall only apply to the Tranche B Bonds.

**16.1 *Authority of the Bondholders' Meeting***

- 16.1.1 The Bondholders' Meeting represents the supreme authority of the Bondholders community in all matters relating to the Bonds, and has the power to make all decisions altering the terms and conditions of the Bonds, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes. If a resolution by or an approval of the Bondholders holding Bonds of one particular Bond Issue or of all Outstanding Bonds under this Bond Loan Agreement is required, such resolution or approval shall be passed at a Bondholders' Meeting in respect of Bonds issued under that Bond Issue or all Outstanding Bonds under this Bond Agreement, as applicable. Resolutions passed at such a Bondholders' Meeting shall be binding upon and prevail for all Bonds of that Bond Issue or all Outstanding Bonds under this Bond Agreement, as applicable.
- 16.1.2 If a resolution by or an approval of the Bondholders holding Bond of one particular Bond Issue is required, such resolution or approval shall be passed at a Bondholders' Meeting in respect of Bonds issued under that Bond Issue.

- 16.1.3 The Bondholders' Meeting cannot resolve that any overdue payment of any instalment shall be reduced unless there is a pro rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.
- 16.1.4 If a resolution by or an approval of the Bondholders is required, such resolution shall be passed at a Bondholders' Meeting, see however Clause 17.1. Resolutions passed at Bondholders' Meetings shall be binding upon all Bondholders and prevail for all the Bonds.
- 16.2 *Procedural rules for Bondholders' meetings*
- 16.2.1 A Bondholders' Meeting shall be held at the written request of:
- (a) the Issuer;
  - (b) Bondholders representing at least 1/10 of the Voting Bonds;
  - (c) the Exchange, if the Bonds are listed; or
  - (d) the Bond Trustee.
- 16.2.2 The Bondholders' Meeting shall be summoned by the Bond Trustee. A request for a Bondholders' Meeting shall be made in writing to the Bond Trustee, and shall clearly state the matters to be discussed.
- 16.2.3 If the Bond Trustee has not summoned a Bondholders' Meeting within ten Business Days after having received a valid request, then the requesting party may summons the Bondholders' Meeting itself.
- 16.2.4 The notice of a Bondholders' Meeting shall be dispatched no later than ten Business Days prior to the date of the Bondholders' Meeting. The notice and a confirmation of each Bondholder's holdings of Bonds shall be sent to all Bondholders registered in the Securities Depository at the time of distribution. The notice shall also be sent to the Exchange for publication if the Bonds are listed.
- 16.2.5 The summons shall specify the agenda of the Bondholders' Meeting. The Bond Trustee may in the summons also set out other matters on the agenda than those requested. If amendments to this Bond Agreement have been proposed, the main content of the proposal shall be stated in the summons.
- 16.2.6 The Bond Trustee may restrict the Issuer from making any changes in the number of Voting Bonds in the period from distribution of the summons until the Bondholders' Meeting, by serving notice to it to such effect.
- 16.2.7 Matters that have not been reported to the Bondholders in accordance with the procedural rules for summoning of a Bondholders' Meeting may only be adopted with the approval of all Voting Bonds.
- 16.2.8 The Bondholders' Meeting shall be held on premises designated by the Bond Trustee. The Bondholders' Meeting shall be opened and shall, unless otherwise decided by the Bondholders' Meeting, be chaired by the Bond Trustee. If the Bond

Trustee is not present, the Bondholders' Meeting shall be opened by a Bondholder, and be chaired by a representative elected by the Bondholders' Meeting.

- 16.2.9 Minutes of the Bondholders' Meeting shall be kept. The minutes shall state the numbers of Bondholders and Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the result of the voting. The minutes shall be signed by the chairman and at least one other person elected by the Bondholders' Meeting. The minutes shall be deposited with the Bond Trustee and shall be available to the Bondholders.
- 16.2.10 The Bondholders, the Bond Trustee and – provided the Bonds are listed – representatives of the Exchange, have the right to attend the Bondholders' Meeting. The chairman may grant access to the meeting to other parties, unless the Bondholders' Meeting decides otherwise. Bondholders may attend by a representative holding proxy. Bondholders have the right to be assisted by an advisor. In case of dispute the chairman shall decide who may attend the Bondholders' Meeting and vote for the Bonds.
- 16.2.11 Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders' Meeting may resolve that the Issuer's representatives may not participate in particular matters. The Issuer has the right to be present under the voting.

### 16.3 *Resolutions passed at Bondholders' Meetings*

- 16.3.1 At the Bondholders' Meeting each Bondholder may cast one vote for each Voting Bond of the relevant Bond Issue owned at close of business on the day prior to the date of the Bondholders' Meeting in accordance with the records registered in the Securities Depository. The Bond Trustee may, at its sole discretion, accept other evidence of ownership. Whoever opens the Bondholders' Meeting shall adjudicate any question concerning which Bonds shall count as the Issuer's Bonds. The Issuer's Bonds shall not have any voting rights.

For this purpose, a Bondholder that has a Bond that is nominee registered shall be deemed as the Bondholder of such Bond (instead of the nominee) provided that the Bondholder presents relevant evidence stating that the relevant Bondholder is the Bondholder of the Bond and the amount of Bonds held by such Bondholder.

- 16.3.2 In all matters, the Issuer, the Bond Trustee and any Bondholder have the right to demand vote by ballot. In case of parity of votes, the chairman shall have the deciding vote, regardless of the chairman being a Bondholder or not.
- 16.3.3 In order to form a quorum, at least half (1/2) of the Voting Bonds of the relevant Bond Issue must be represented at the meeting, see however Clause 16.4. Even if less than half (1/2) of the Voting Bonds of the relevant Bond Issue are represented, the Bondholders' Meeting shall be held and voting completed.
- 16.3.4 Resolutions shall be passed by simple majority of the Voting Bonds of the relevant Bond Issue(s) represented at the Bondholders' Meeting, unless otherwise set out in Clause 16.3.5.

- 16.3.5 A majority of at least 2/3 of the Voting Bonds in the relevant Bond Issue represented at the Bondholders' Meeting is required for any waiver or amendment of any terms of this Bond Agreement.
- 16.3.6 The Bondholders' Meeting may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.
- 16.3.7 The Tranche B Bondholders' Meeting may not adopt any amendments to the Tranche B Bonds or adopt any resolution that may adversely affect the Bondholders' position under the Tranche A Bonds (including but not limited to declaring or accelerating any event of default as set out in Clause 15) or gives the Tranche B Bonds more beneficial terms than the Tranche A Bonds without the approval by a majority of at least 2/3 of the Voting Bonds of the Tranche A Bonds represented at the Tranche A Bondholders' Meeting.
- 16.3.8 The Bond Trustee shall ensure that resolutions passed at the Bondholders' Meeting are properly implemented, however, the Bond Trustee may refuse to carry out resolutions being in conflict with this Bond Agreement (or any other Finance Document) or any applicable law.
- 16.3.9 The Issuer, the Bondholders and the Exchange shall be notified of resolutions passed at the Bondholders' Meeting.
- 16.4 *Repeated Bondholders' meeting*
- 16.4.1 If the Bondholders' Meeting does not form a quorum pursuant to Clause 16.3.3, a repeated Bondholders' Meeting may be summoned to vote on the same matters. The attendance and the voting result of the first Bondholders' Meeting shall be specified in the summons for the repeated Bondholders' Meeting.
- 16.4.2 A valid resolution may be passed at a repeated Bondholders' meeting even though less than half (1/2) of the Voting Bonds are represented.
- 16.5 *Written Bondholders' resolutions*
- 16.5.1 Anything which may be done by resolution of the Bondholders in a Bondholders' Meeting may be done by written resolution, without a Bondholders' Meeting, subject to the following conditions:
- (a) A notice of a written resolution shall be made at the written request of:
    - (i) the Issuer;
    - (ii) Bondholders representing at least 1/10 of the Voting Bonds;
    - (iii) the Exchange, if the Bonds are listed; or
    - (iv) the Bond Trustee.
  - (b) Notice of a written resolution shall be given by the Bond Trustee, and a copy of the resolution shall be circulated to all Bondholders who would be



entitled to attend a Bondholders' Meeting and vote thereon. The accidental omission to give notice to, or the non-receipt of a notice by, any Bondholder does not invalidate the passing of a resolution.

- (c) If the Bond Trustee has not given notice of a written resolution within five Business Days after having received a valid request, then the requesting party may give the notice of a written resolution itself.
- (d) A written resolution is passed when it is signed by or on behalf of the Bondholders who at the date that the notice is given represent such majority of votes as would be required if the resolution was voted on at a Bondholders' Meeting at which all Bondholders entitled to attend and vote thereat were present and voting.
- (e) A resolution in writing may be signed in any number of counterparts.
- (f) A resolution in writing made in accordance with this Bond Agreement is as valid as if it had been passed by the Bondholders in a Bondholders' Meeting, and any reference in any provision of this Bond Agreement to a Bondholders' Meeting at which a resolution is passed or to Bondholders voting in favour of a resolution shall be construed accordingly.

16.5.2 For the purposes of this clause 16.5, the effective date of the resolution is the date when the resolution is signed by or on behalf of the last Bondholder whose signature results in the necessary voting majority being achieved and any reference in any provision of this Bond Agreement to the date of passing of a resolution is, in relation to a resolution made in accordance with this clause 16.5, a reference to such date.

## 17 The Bond Trustee

### 17.1 *The role and authority of the Bond Trustee*

- 17.1.1 The Bond Trustee shall monitor the compliance by the Issuer of its obligations under this Bond Agreement and applicable laws and regulations which are relevant to the terms of this Bond Agreement, including supervision of timely and correct payment of principal or interest, (however, this shall not restrict the Bond Trustee from discussing matters of confidentiality with the Issuer), arrange Bondholders' Meetings, and make the decisions and implement the measures resolved pursuant to this Bond Agreement. The Bond Trustee is not obligated to assess the Issuer's financial situation beyond what is directly set out in this Bond Agreement.
- 17.1.2 The Bond Trustee may take any step it in its sole discretion considers necessary or advisable to ensure the rights of the Bondholders in all matters pursuant to the terms of this Bond Agreement and is entitled to rely on advice from professional advisors. The Bond Trustee may in its sole discretion postpone taking action until such matter has been put forward to the Bondholders' Meeting. The Bond Trustee is not obliged to take any steps to ascertain whether any Event of Default has occurred and until it has actual knowledge or express notice to the contrary the Bond Trustee is entitled to assume that no Event of Default has occurred.

- 17.1.3 The Bond Trustee may make decisions binding for all Bondholders concerning this Bond Agreement, including amendments to this Bond Agreement and waivers or modifications of certain provisions, which in the opinion of the Bond Trustee, do not materially and adversely affect the rights or interests of the Bondholders pursuant to this Bond Agreement.
- 17.1.4 The Bond Trustee may reach decisions binding for all Bondholders in circumstances other than those mentioned in Clause 17.1.3 provided that prior notification has been made to the Bondholders. Such notice shall contain a proposal of the amendment and the Bond Trustee's evaluation. Further, such notification shall state that the Bond Trustee may not reach a decision binding for all Bondholders in the event that any Bondholder submits a written protest against the proposal within a deadline set by the Bond Trustee. Such deadline may not be less than five Business Days following the dispatch of such notification.
- 17.1.5 The Bond Trustee may reach other decisions than set out in Clauses 17.1.3 or 17.1.4 to amend or rectify decisions which due to spelling errors, calculation mistakes, misunderstandings or other obvious errors do not have the intended meaning.
- 17.1.6 The Bond Trustee may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.
- 17.1.7 The Issuer, the Bondholders and the Exchange shall be notified of decisions made by the Bond Trustee pursuant to Clause 17.1 unless such notice obviously is unnecessary.
- 17.1.8 The Bondholders' Meeting can decide to replace the Bond Trustee without the Issuer's approval, as provided for in Clause 16.3.5.
- 17.1.9 The Bond Trustee may act as bond trustee and/or security agent for several bond issues relating to the Issuer notwithstanding potential conflicts of interest. The Bond Trustee may delegate exercise of its powers to other professional parties.
- 17.1.10 The Bond Trustee may instruct the Paying Agent to split the Bonds to a lower denomination in order to facilitate partial redemptions or restructuring of the Bonds or other situations.
- 17.2 *Liability and indemnity*
- 17.2.1 The Bond Trustee is liable only for direct losses incurred by Bondholders or the Issuer as a result of gross negligence or wilful misconduct by the Bond Trustee in performing its functions and duties as set out in this Bond Agreement. Such liability is limited to the maximum amount set out in Clause 2.2. The Bond Trustee is not liable for the content of information provided to the Bondholders on behalf of the Issuer.
- 17.2.2 The Issuer is liable for, and shall indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees, agents and representatives) to fulfil its obligations under the terms of this Bond Agreement and any other Finance Document, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer

in connection with the establishment and performance of this Bond Agreement and any other Finance Document.

- 17.2.3 The Bond Trustee can as a condition for carrying out an instruction from the Bondholders (including, but not limited to, instructions set out in Clause 15.3(a) or 16.2.1 (b), require satisfactory security and indemnities for any possible liability and anticipated costs and expenses, from those Bondholders who requested that instruction and/or those who voted in favour of the decision to instruct the Bond Trustee. Any instructions from the Bondholders may be put forward to the Bondholders' Meeting by the Bond Trustee before the Bond Trustee takes any action.

### 17.3 *Change of Bond Trustee*

- 17.3.1 Change of Bond Trustee shall be carried out pursuant to the procedures set out in Clause 16. The Bond Trustee shall continue to carry out its duties as bond trustee until such time that a new Bond Trustee is elected.
- 17.3.2 The fees and expenses of a new bond trustee shall be covered by the Issuer pursuant to the terms set out in Clause 14, but may be recovered wholly or partially from the Bond Trustee if the change is due to a breach by the Bond Trustee of its duties pursuant to the terms of this Bond Agreement or other circumstances for which the Bond Trustee is liable.
- 17.3.3 The Bond Trustee undertakes to co-operate so that the new bond trustee receives without undue delay following the Bondholders' Meeting the documentation and information necessary to perform the functions as set out under the terms of this Bond Agreement.

### 17.4 *Appointment of Security Agent*

- 17.4.1 The Bond Trustee is, if at any time relevant, appointed to act as Security Agent for the Bond Issues.

The main functions of the Security Agent may include holding Security on behalf of the Bondholders and monitoring compliance by the Issuer and other relevant parties of their respective obligations under this Bond Agreement and/or any security documents with respect to the Security.

Before the appointment of a Security Agent other than the Bond Trustee, the Issuer shall be given the opportunity to state its views on the proposed Security Agent, but the final decision as to appointment shall lie exclusively with the Bond Trustee.

- 17.4.2 The functions, rights and obligations of the Security Agent may be determined by a Security Agent agreement to be entered into between the Bond Trustee and the Security Agent, which the Bond Trustee shall have the right to require the Issuer and any other parties to any security document to sign as a party, or, at the discretion of the Bond Trustee, to acknowledge. The Bond Trustee shall at all times retain the right to instruct the Security Agent in all matters.

Any changes to this Bond Agreement necessary or appropriate in connection with the appointment of a Security Agent shall be documented in an amendment to this Bond Agreement, signed by the Bond Trustee.

- 17.4.3 If so desired by the Bond Trustee, any or all relevant security documents shall be amended, assigned or re-issued, so that the Security Agent is the holder of the relevant Security (on behalf of the Bondholders). The costs incurred in connection with such amendment, assignment or re-issue shall be for the account of the Issuer.

## 18 **Miscellaneous**

### 18.1 *The community of Bondholders*

By virtue of holding Bonds, which are governed by this Bond Agreement (which pursuant to Clause 2.1.1 is binding upon all Bondholders), a community exists between the Bondholders, implying, inter alia, that:

- (a) the Bondholders are bound by the terms of this Bond Agreement;
- (b) the Bond Trustee has power and authority to act on behalf of, and/or represent; the Bondholders, in all matters, included but not limited to taking any legal or other action, including enforcement of the Bond Issues and/or any Security, opening of bankruptcy or other insolvency proceedings;
- (c) the Bond Trustee has, in order to manage the terms of this Bond Agreement, access to the Securities Depository to review ownership of Bonds registered in the Securities Depository; and
- (d) this Bond Agreement establishes a community between Bondholders meaning that:
  - (i) the Bonds rank *pari passu* between each other;
  - (ii) the Bondholders may not, based on this Bond Agreement, act directly towards the Issuer and may not themselves institute legal proceedings against the Issuer, however not restricting the Bondholders to exercise their individual rights derived from this Bond Agreement;
  - (iii) the Issuer may not, based on this Bond Agreement, act directly towards the Bondholders;
  - (iv) the Bondholders may not cancel the Bondholders' community; and
  - (v) the individual Bondholder may not resign from the Bondholders' community.

### 18.2 *Defeasance*

- 18.2.1 The Issuer may, at its option and at any time, elect to have certain obligations discharged (see Clause 18.2.2) upon complying with the following conditions ("**Security and Covenant Defeasance**"):

- (a) the Issuer shall have irrevocably pledged to the Bond Trustee for the benefit of the Bondholders cash or government bonds accepted by the Bond Trustee (the “**Defeasance Pledge**”) in such amounts as will be sufficient for the payment of principal (including if applicable premium payable upon exercise of a Call Option) and interest on the Outstanding Bonds to the Tranche A Maturity Date or the Tranche B Maturity Date (as applicable) (or redemption upon an exercise of a notified Call Option) or any other amount agreed between the Parties;
- (b) no Event of Default shall have occurred and be continuing on the date of establishment of the Defeasance Pledge, or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time during any hardening period applicable to the Defeasance Pledge (or the relevant period for non-Norwegian companies) or any other date agreed between the Parties;
- (c) if the Bonds are secured, the Defeasance Pledge shall be considered as a replacement of the Security established prior to the Defeasance Pledge;
- (d) the Issuer shall have delivered to the Bond Trustee a certificate signed by its Chief Executive Officer that the Defeasance Pledge was not made by the Issuer with the intent of preferring the Bondholders over any other creditors of the Issuer or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others; and
- (e) the Issuer shall have delivered to the Bond Trustee any certificate or legal opinion reasonably required by the Bond Trustee regarding the Security and Covenant Defeasance or Defeasance Pledge, including any certificate or legal opinion on (i) the compliance of the conditions of the Security and Covenant Defeasance, (ii) that the Defeasance Pledge constitutes a valid, perfected and enforceable Security in favour of the Bond Trustee for the benefit of the Bondholders which will not be subject to any rights of creditors of the Issuer or any bankruptcy, insolvency, reorganization or similar laws affecting creditors rights generally under the laws of the jurisdiction where the Defeasance Pledge was established and the corporate domicile of the Issuer, (iii) any relevant tax issues concerning the Bondholders, (iv) any valuation of any assets or (vii) any other certificate or opinion regarding the Security and Covenant Defeasance or the Defeasance Pledge.

18.2.2 Upon the exercise by the Issuer of its option under Clause 18.2.1:

- (a) the Issuer shall be released from their obligations under all provisions in Clause 13, except Clauses 13.2.1(a), (c), (f), (g) and (h), or as otherwise agreed;
- (b) the Issuer shall not (and shall ensure that all Group Companies shall not) take any actions that may cause the value of the Security created by this Security and Covenant Defeasance to be reduced, and shall at the request of the Bond Trustee execute, or cause to be executed, such further documentation and perform such other acts as the Bond Trustee may

reasonably require in order for the Security to remain valid, enforceable and perfected by the Bond Trustee for the account of the Bondholders;

- (c) any Guarantor(s) shall be discharged from their obligations under the Guarantee(s), and the Guarantee(s) shall cease to have any legal effect, or as otherwise agreed;
- (d) any Security other than the Defeasance Pledge shall be discharged, and the Bond Trustee shall take all steps reasonably possible for it to cause such discharge to be effected, by way of deletion of the relevant security document from the relevant register, notice to third parties or as otherwise required, or as otherwise agreed; and
- (e) all other provisions of this Bond Agreement (except (a) – (c) above) shall remain fully in force without any modifications, or as otherwise agreed.

- 18.2.3 All amounts owed by the Issuer hereunder covered by the Defeasance Pledge shall be applied by the Bond Trustee, in accordance with the provisions of this Bond Agreement, against payment to the Bondholders of all sums due to them under this Bond Agreement on the due date thereof.

Any excess funds not required for the payment of principal, premium and interest to the Bondholders (including any expenses, fees etc. due to the Bond Trustee hereunder) shall be returned to the Issuer.

### 18.3 *Limitation of claims*

All claims under the Bonds and this Bond Agreement for payment, including interest and principal, shall be subject to the time-bar provisions of the Norwegian Limitation Act of May 18, 1979 No. 18.

### 18.4 *Access to information*

- 18.4.1 This Bond Agreement is available to anyone and copies may be obtained from the Bond Trustee or the Issuer. The Bond Trustee shall not have any obligation to distribute any other information to the Bondholders or others than explicitly stated in this Bond Agreement. The Issuer shall ensure that a copy of this Bond Agreement is available to the general public until all the Bonds have been fully discharged.
- 18.4.2 The Bond Trustee shall, in order to carry out its functions and obligations under this Bond Agreement, have access to the Securities Depository for the purposes of reviewing ownership of the Bonds registered in the Securities Depository.

### 18.5 *Amendments*

All amendments of this Bond Agreement shall be made in writing, and shall unless otherwise provided for by this Bond Agreement, only be made with the approval of all parties hereto.

### 18.6 *Notices, contact information*



- 18.6.1 Written notices, warnings, summons etc to the Bondholders made by the Bond Trustee shall be sent via the Securities Depository with a copy to the Issuer and the Exchange. Information to the Bondholders may also be published at Stamdata only. Any such notice or communication shall be deemed to be given or made as follows:
- (a) if by letter via the Securities Depository, when sent from the Securities Depository; and
  - (b) if by publication on Stamdata, when publicly available.
- 18.6.2 The Issuer's written notifications to the Bondholders shall be sent via the Bond Trustee, alternatively through the Securities Depository with a copy to the Bond Trustee and the Exchange.
- 18.6.3 Unless otherwise specifically provided, all notices or other communications under or in connection with this Bond Agreement between the Bond Trustee and the Issuer shall be given or made in writing, by letter, e-mail or fax. Any such notice or communication shall be deemed to be given or made as follows:
- (a) if by letter, when delivered at the address of the relevant Party;
  - (b) if by e-mail, when received; and
  - (c) if by fax, when received.
- 18.6.4 The Issuer and the Bond Trustee shall ensure that the other party is kept informed of changes in postal address, e-mail address, telephone and fax numbers and contact persons.
- 18.6.5 When determining deadlines set out in this Bond Agreement, the following shall apply (unless otherwise stated):
- (a) If the deadline is set out in days, the first day when the deadline is in force shall not be inclusive, however, the meeting day or the occurrence the deadline relates to, shall be included.
  - (b) If the deadline is set out in weeks, months or years, the deadline shall end on the day in the last week or the last month which, according to its name or number, corresponds to the first day the deadline is in force. If such day is not a part of an actual month, the deadline shall be the last day of such month.
  - (c) If a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Date.
- 18.7 *Dispute resolution and legal venue*
- 18.7.1 This Bond Agreement and all disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer, shall be governed by Norwegian law.

- 18.7.2 All disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer, shall, subject to Clause 18.7.3 below, be exclusively resolved by the courts of Norway, with the District Court of Oslo as sole legal venue.
- 18.7.3 Clause 18.7.2 is for the benefit of the Bond Trustee only. As a result, the Bond Trustee shall not be prevented from taking proceedings relating to a dispute in any other courts with jurisdiction. To the extent allowed by law, the Bond Trustee may take concurrent proceedings in any number of jurisdictions.
- 18.8 *Process Agent*

The Issuer shall, prior to the Tranche A Issue Date, nominate a process agent in Norway for the purpose of serving a writ of summons and/or any other act of process in respect of the courts in Norway, or any notices as set out in this Bond Agreement.

\*\*\*\*\*

**Schedule 1****COMPLIANCE CERTIFICATE**

Nordic Trustee AS  
P.O. Box 1470 Vika  
N-0116 Oslo  
Norway

Fax: + 47 22 87 94 10  
E-mail: mail@trustee.no

[date]

Dear Sirs,

**ISLAND OFFSHORE SHIPHOLDING, L.P. TRANCHE A SENIOR UNSECURED  
CALLABLE BOND ISSUE 2013/2018 - ISIN 001 067386.6  
ISLAND OFFSHORE SHIPHOLDING, L.P. TRANCHE B SENIOR UNSECURED  
CALLABLE BOND ISSUE 2013/2019 - ISIN 001 076050.7**

We refer to the Bond Agreement for the abovementioned Bond Issues made between Nordic Trustee ASA as Bond Trustee on behalf of the Bondholders, and the undersigned as Issuer under which a Compliance Certificate shall be issued. This letter constitutes the Compliance Certificate for the period [PERIOD].

Capitalised terms used herein shall have the same meaning as in this Bond Agreement.

With reference to Clause 13.2.2 we hereby certify that:

1. all information contained herein is true and accurate and there has been no change which would have a Material Adverse Effect on the financial condition of the Issuer since the date of the last accounts or the last Compliance Certificate submitted to you.
2. the covenants set out in Clause 13 are satisfied;
3. in accordance with Clause 13.5
  - (a) the Value Adjusted Equity Ratio as of [date] is [XX]
  - (b) the Liquidity as of [date] is [XX]
  - (c) the Debt Service Coverage Ratio as of [date] is [XX]
  - (d) The Gearing Ratio as of [date] is [XX]

Copies of our latest consolidated [Financial Statements] / [Interim Accounts] are enclosed.

Yours faithfully,

Island Offshore Shipholding, L.P.  
By Amnor, L.L.C., its general partner

\_\_\_\_\_  
*Name of authorized person*

Enclosure: [copy of any written documentation]

## Schedule 2

## DEFERRED CREDITOR AMENDMENTS

Date of deferral	Amount deferred
15 June 2016	NOK 25,230,000
24 May 2016	NOK 15,339,135
15 September 2016	NOK 12,615,000
24 November 2016	NOK 15,339,135
15 December 2016	NOK 12,615,000
24 May 2016	NOK 15,339,135
15 March 2017	NOK 12,615,000
15 June 2017	NOK 12,615,000

### Schedule 3 - Operational Earnings Waterfall

Operational Earnings received by the Issuer in relation to each of the Issuer's Vessels shall be applied in the following order of priority towards payment of:

1. Opex related to that Vessel and any other Vessel financed by the same Senior Liabilities;
2. Capex related to that Vessel and any other Vessel financed by the same Senior Liabilities;
3. any costs, expenses, fees, commissions, interest (including default interest) due under the Senior Liabilities referred to in no 1 and 2 above;
4. Opex related to each of the other of the Issuer's Vessels;
5. Capex related to each of the other of the Issuer's Vessels;
6. any costs, expenses, fees, commissions, interest (including default interest) and similar amounts due under any other Senior Liabilities referred to in no 4 and 5 above;
7. any Agreed Fixed Amortization relating to that Vessel and any other Vessel financed by the same Senior Liabilities;
8. any Agreed Fixed Amortization relating to any other of the Issuer's Vessels and any amounts calculated and payable under the F/W Guaranteed Cash Sweep;
9. utilisations due for disbursement (if any) under the IO X Working Capital Facility;
10. interest payments due and payable by the Issuer under the secured Yard Liabilities; and
11. interest payments due under the Bond Agreement and the unsecured Yard Liabilities.

Where for the purpose of this Schedule 3:

**"Agreed Fixed Amortization"** means such reduced fixed amortizations agreed between the secured Lenders to the Issuer's Vessels and the Issuer for the period 30 June 2017 until 31 December 2020;

**"Operational Earnings"** means, in relation to any Vessel, the ordinary operational earnings actually received by the owner of that Vessel as a consequence of the Vessel's employment, excluding for the avoidance of doubt:

- (a) any cancellation fee or similar payment payable by a charterer or other operator of a Vessel as a consequence of the termination of a contract of employment if it is stated in the Senior Liabilities financing that Vessel that such cancellation is an event of default or a mandatory prepayment event;
- (b) any insurance proceeds if it is stated in the Senior Liabilities financing that Vessel that

such proceeds shall be applied as mandatory prepayment; and

- (c) any proceeds from the sale of such Vessel,

and in any such calculation, "Island Frontier" and "Island Wellserver" shall be considered as a single Vessel.

**"Issuer's Vessels"** means each of the Vessels Island Frontier, Island Wellserver, Island Crown, Island Centurion, Island Clipper and Island Pride.

**"Opex"** means ordinary operational expenditures related to a Vessel, including lay-up costs where relevant.

**"Capex"** means capital expenditures related to a Vessel, to the extent that such expenditures are necessary:

- (i) in order to maintain the proper working condition of that Vessel for employment under its relevant contract of employment,
- (ii) to prepare that Vessel for employment under a new contract, or
- (iii) for the purpose of maintaining that Vessel's current class notation,

in each case excluding for the avoidance of doubt any major upgrades or major constructional alterations to the Vessel.

**"IO X Working Capital Facility Agreement"** means a working capital facility agreement between the Issuer as lender and its fully owned subsidiary Island Offshore X KS ("IO X") as borrower replacing certain guarantee provided by the Issuer to the secured lenders to IO X.

**"F/W Guaranteed Cash Sweep"** means the undertaking by the Issuer in favour of the secured lenders to the Vessels Island Frontier and Island Wellserver ("**F/W Lenders**"), that irrespective of any provision of this Bond Agreement or any other agreement or instrument stating anything to the contrary, additional amortization in amounts no less than the following will be made to the F/W Lenders in addition to any applicable Agreed Fixed Amortization, such amounts to be paid to the F/W Lenders:

- (a) NOK 10,000,000 in July 2018;
- (b) NOK 20,000,000 in July 2019; and
- (c) NOK 30,000,000 in July 2020.

ISIN NO 001 067386.6 (Tranche A Bonds)  
ISIN NO 001 076050.7 (Tranche B Bonds)

**AMENDED AND RESTATED BOND AGREEMENT**  
originally dated 22 March 2013

between

**Island Offshore Shipholding, L.P.**  
(Issuer)

and

**Nordic Trustee ~~ASA~~AS**  
(formerly Norsk Tillitsmann ASA)  
(Bond Trustee)

on behalf of

**the Bondholders**

in the bond issue

~~FRN~~1.25 per cent Island Offshore Shipholding, L.P. Tranche A  
~~Senior~~Subordinated Unsecured Callable Bond Issue 2013/~~2018~~2021

~~FRN~~1.25 per cent Island Offshore Shipholding, L.P. Tranche B  
~~Senior~~Subordinated Unsecured Callable Bond Issue 2016/~~2019~~2021

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This agreement, originally entered into on 22 March 2013, as amended and restated by an amendment and restatement agreement on 29 March 2016 has been entered into on ~~29 March 2016~~, .... 2017 between:

- (1) **Island Offshore Shipholding, L.P.** (an exempted limited partnership existing under the laws of the Cayman Islands with registration number 14597 as issuer, represented by its general partner Amnor, L.L.C., a limited liability company incorporated under the laws of Louisiana, USA, duly registered as a foreign company in the Cayman Islands (the “**Issuer**”), and
- (2) **Nordic Trustee ~~ASA~~ AS** (formerly Norsk Tillitsmann ASA, a company existing under the laws of Norway with registration number 963 342 624) as bond trustee (the “**Bond Trustee**”).

## 1 Interpretation

### 1.1 Definitions

In this Bond Agreement, the following terms shall have the following meanings:

“**Account Manager**” means a Bondholder’s account manager in the Securities Depository.

“**Amendment and Restatement Agreement**” means the amendment and restatement agreement to this Bond Agreement dated ~~29 March 2016~~, .....2017 and made between the Issuer and the Bond Trustee.

“**Attachment**” means the attachments to this Bond Agreement.

“**Bond Agreement**” means this bond agreement, including any Attachments to it, each as amended from time to time.

“**Bond Issues**” means the Tranche A Bond Issue and the Tranche B Bond Issue.

~~“**Bond Reference Rate**” means 3 months NIBOR.~~

“**Bondholder**” means a holder of Bond(s), as registered in the Securities Depository, from time to time.

“**Bondholders’ Meeting**” means a meeting of Bondholders, as set out in Clause 16.

“**Bonds**” means collectively the Tranche A Bonds and the Tranche B Bonds issued by the Issuer pursuant to this Bond Agreement.

“**Business Day**” means any day on which commercial banks are open for general business and can settle foreign currency transactions in Oslo.

**“Business Day Convention”** means that if the relevant Payment Date originally falls on a day that is not a Business Day, ~~an~~no adjustment ~~of the Payment Date will be made so that the relevant Payment Date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceeding day that is a Business Day (Modified Following Business Day Convention).~~will be made to the Interest Period.

**“Call Option”** shall have the meaning set out in Clause 10.2.

**“Change of Control Event”** means if and when any person or a group of persons acting in concert, other than Borgstein Skipsinvest AS or Island Investment LLC, directly or indirectly, acquires Decisive Influence over the Issuer and/or 50% of the limited partnership interests.

**“Date of Agreement”** has the meaning given to it in the Amendment and Restatement Agreement.

**“Decisive Influence”** means a person having, as a result of an agreement or through the ownership of shares or interests in another person:

- (a) a majority of the voting rights in that other person; or
- (b) a right to elect or remove a majority of the members of the board of directors of that other person.

When determining the relevant person’s number of voting rights in the other person or the right to elect and remove members of the board of directors, rights held by the parent company of the relevant person and the parent company’s Subsidiaries shall be included.

**“Defeasance Pledge”** shall have the meaning given to it in Clause 18.2.

**“Deferred Payments”** means the deferred payments set out in Schedule 1 hereto.

~~“Effective Date”~~ **“Enforcement Action”** has the meaning given to it in the Amendment and Restatement Subordination Agreement.

**“Event of Default”** means the occurrence of an event or circumstance specified in Clause 15.1.

~~“Exchange” means (i) a securities exchange or other reputable regulated market, or (ii) Oslo Alternative Bond Market, on which the Bonds are listed, or where the Issuer has applied for listing of the Bonds.~~

~~“Existing Shareholder Loans” means the shareholder loans provided by Borgstein Skipsinvest AS and Island Investment, LLC to the Issuer in the aggregate amount of approx. NOK 85 million (including interest accrued thereon) paid down by the net proceeds of the bonds issued under the Original Bond Agreement (now, the Tranche A Bonds and the Tranche B Bonds).~~

**“Face Value”** means the denomination of each of the Bonds, as set out in Clause 2.2 and Clause 2.3.



**“Finance Documents”** means (i) this Bond Agreement, (ii) the Amendment and Restatement Agreement, (iii) the Subordination Agreement, (iv) the agreement between the Bond Trustee and the Issuer referred to in Clause 14.2, and ~~(iv)~~ any other document (whether creating a Security or not) which is executed at any time by the Issuer or any other person in relation to any amount payable under this Bond Agreement.

**“Financial Indebtedness”** means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the mark to market value shall be taken into account); and
- (h) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (g) above.

**“Financial Statements”** means the audited unconsolidated and consolidated annual financial statements of the Issuer for any financial year, drawn up according to GAAP, such accounts to include a profit and loss account, balance sheet, cash flow statement and report from the Board of Directors.

**“GAAP”** means the generally accepted accounting practice and principles of Norway including, if applicable, the International Financial Reporting Standards (IFRS) and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

**“Group”** means the Issuer and its Subsidiaries, and a **“Group Company”** means the Issuer or any of its Subsidiaries.

**“Interest Payment Date”** means ~~5 January~~, 5 April, ~~5 July~~ and 5 October each year, the Tranche A Maturity Date and the Tranche B Maturity Date. Any adjustment will be made according to the Business Day Convention.

**“Interim Accounts”** means the unaudited unconsolidated and consolidated quarterly financial statements of the Issuer for any quarter ending on a Quarter Date, drawn up according to GAAP, including a management report.

**“ISIN”** means International Securities Identification Number – the identification number of the respective Bond Issue.

**“Issuer’s Bonds”** means any Bonds owned by the Issuer, any person or persons who has Decisive Influence over the Issuer, or any person or persons over whom the Issuer has Decisive Influence.

**“Manager”** means the manager(s) for the Bond Issues.

~~**“Margin”** means five point twenty five per cent. (5.25%) per annum.~~

**“Material Adverse Effect”** means a material adverse effect on: (a) the business, financial condition or operations of the Issuer or the Group (taken as a whole), (b) the Issuer’s ability to perform and comply with its obligations under any of the Finance Documents; or (c) the validity or enforceability of any of the Finance Documents.

**“Material Subsidiary”** means:

- (a) any Subsidiary whose total assets represent at least 10% of the total consolidated assets of the Group; or
- (b) any Subsidiary whose total operating income represents at least 10% of the total consolidated operating income of the Group; or
- (c) any other Subsidiary to which is transferred either (A) all or substantial all of the assets of another Subsidiary which immediately prior to the transfer was a Material Subsidiary, or (B) sufficient assets of the Issuer that such Subsidiary would have been a Material Subsidiary had a transfer occurred on or before the relevant date;

always provided that the Issuer shall, if required, appoint Subsidiaries as Material Subsidiaries to procure that the operating income, gross assets or net assets of the Material Subsidiaries shall represent at least 80% of the operating income, gross assets or net assets of the Group.

~~**“NIBOR”** means the interest rate fixed for a defined period on Oslo Børs’ webpage at approximately 12.15 Oslo time or, on days on which Oslo Børs has shorter opening hours (New Year’s Eve and the Wednesday before Maundy Thursday), the data published at approximately 10.15 a.m. shall be used. In the event that such page is not available, has been removed or changed such that the quoted interest rate no longer represents, in the opinion of the Bond Trustee, a correct expression of the relevant interest rate, an alternative page or other electronic source which in the opinion of the Bond Trustee and the Issuer gives the same interest rate shall be used. If this is not possible, the Bond Trustee shall calculate the relevant interest rate based on comparable quotes from major banks in Oslo. If any such rate is below zero, NIBOR will be deemed to be zero.~~

**“NOK”** means Norwegian kroner, being the lawful currency of Norway.



**“Original Bond Agreement”** means the bond agreement dated 22 March 2013 between the Issuer and the Bond Trustee as amended and restated by an amendment and restatement agreement dated 29 March 2016.

**“Outstanding Bonds”** means the Bonds not redeemed or otherwise discharged.

**“Party”** means a party to this Bond Agreement (including its successors and permitted transferees).

**“Paying Agent”** means the legal entity appointed by the Issuer to act as its paying agent in the Securities Registry with respect to the Bonds.

**“Payment Date”** means a date for payment of principal or interest under this Bond Agreement.

**“PIK Interest”** shall have the meaning given to it in Clause ~~9.4~~9.1(b).

**“Quarter Date”** means each 31 March, 30 June, 30 September and 31 December.

**“Securities Depository”** means the securities depository in which the Bond Issues are registered, being Verdipapirsentralen ASA (VPS) in Norway.

**“Security Agent”** means the Bond Trustee in its capacity as security agent and/or security trustee pursuant to Clause 17.4, if at any time relevant.

**“Security”** means any encumbrance, mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

**“Security and Covenant Defeasance”** shall have the meaning given to it in Clause 18.2.

**“Senior Liabilities”** means the liabilities defined as Senior Liabilities in the Subordination Agreement.

**“Shareholder Loan”** means any loan granted to the Issuer by: (i) any of its shareholders, (ii) any person having Decisive Influence over a shareholder in the Issuer, or (iii) any person over which any person referred to in sub-paragraph (ii) has Decisive Influence (directly or indirectly) (which, for the avoidance of doubt, shall not include any Subsidiary of the Issuer or Island Offshore Management AS).

**“Stamdata”** means the web site [www.stamdata.no](http://www.stamdata.no), maintained by the Bond Trustee.

**“Subordination Agreement”** means the agreement entered into on or about the date of this Bond Agreement by and between the Issuer, Island Offshore X KS, the Bond Trustee on behalf of the Bondholders, Ulstein Verft AS, Rolls-Royce PLC., Vard Group AS and the Senior Finance Parties (as defined therein).

**“Subsidiary”** means a company over which another company has Decisive Influence.

**“Tranche A Bond Issue”** means the bond issue constituted by the Tranche A Bonds.

**“Tranche A Bonds”** means the series of bonds pursuant to this Bond Agreement constituting ~~FRN 1.25 per cent~~ Island Offshore Shipholding, L.P. Tranche A ~~Senior~~ Subordinated Unsecured Callable Bond Issue 2013/2018, with ISIN NO 001 067386.6.

**“Tranche A Issue Date”** means 5 April 2013.

**“Tranche A Maturity Date”** means ~~5 October 2018~~ 30 June 2021. Any adjustment will be made according to the Business Day Convention.

**“Tranche A Bondholders’ Meeting”** means a meeting of Tranche A Bondholders, as set out in Clause 16.

**“Tranche B Bond Issue”** means the bond issue constituted by the Tranche B Bonds.

**“Tranche B Bonds”** means series of bonds pursuant to this Bond Agreement constituting ~~FRN 1.25 per cent~~ Island Offshore Shipholding, L.P. Tranche B ~~Senior~~ Subordinated Unsecured Callable Bond Issue 2016/2019, with ISIN NO 001 076050.7.

**“Tranche B Bondholders’ Meeting”** means a meeting of Tranche B Bondholders, as set out in Clause 16.

**“Tranche B Issue Date”** means 31 March 2016.

**“Tranche B Maturity Date”** means ~~5 April 2019~~ 30 June 2021. Any adjustment will be made according to the Business Day Convention.

**“US Securities Act”** means the U.S. Securities Act of 1933, as amended.

**“Voting Bonds”** means the Outstanding Bonds less the Issuer’s Bonds.

**“Yard Liabilities”** means the liabilities defined as such in the Subordination Agreement.

## 1.2 *Construction*

In this Bond Agreement, unless the context otherwise requires:

- (a) headings are for ease of reference only;
- (b) words denoting the singular number shall include the plural and vice versa;
- (c) references to Clauses are references to the Clauses of this Bond Agreement;
- (d) references to a time is a reference to Oslo time unless otherwise stated herein;
- (e) references to a provision of law is a reference to that provision as it may be amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law, including any determinations, rulings, judgments and other binding decisions relating to such provision or regulation;

- (f) an Event of Default is “**continuing**” if it has not been remedied or waived; and
- (g) references to a “**person**” shall include any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality).

## 2 The Bonds

### 2.1 *Binding nature of this Bond Agreement*

- 2.1.1 By virtue of being registered as a Bondholder (directly or indirectly) with the Securities Depository, the Bondholders are bound by the terms of this Bond Agreement and any other Finance Document, without any further action required to be taken or formalities to be complied with, see also Clause 18.1.
- 2.1.2 This Bond Agreement is available to anyone and may be obtained from the Bond Trustee or the Issuer. The Issuer shall ensure that this Bond Agreement is available to the general public throughout the entire term of the Bonds. This Bond Agreement may be published on Stamdata or such other venues as decided by the Bond Trustee.

### 2.2 *Tranche A Bonds*

The Issuer has issued Tranche A Bonds in the amount of NOK 470,000,000 (Norwegian kroner four hundred and seventy million).

The Face Value is NOK 1.00. The Tranche A Bonds shall rank *pari passu* between themselves.

The Tranche A Bond Issue will be described as “~~FRN~~1.25% Island Offshore Shipholding, L.P. Tranche A ~~Senior~~Subordinated Unsecured Callable Bond Issue 2013/~~2018~~2021”.

The ISIN of the Tranche A Bond Issue is NO 001 067386.6.

The tenor of the Tranche A Bonds is from and including the Tranche A Issue Date to the Tranche A Maturity Date.

~~The net proceeds from the bonds issued under the Original Bond Agreement (now, the Tranche A Bonds and the Tranche B Bonds) were used for (i) repayment in full of the Existing Shareholder Loans, and (ii) general corporate purposes.~~

### 2.3 *Tranche B Bonds*

~~On the Effective Date, the~~ The Issuer ~~will issue~~has issued Tranche B Bonds in the amount of NOK 230,000,000 (Norwegian kroner two hundred and thirty million) ~~in exchange of bonds in the nominal amount of NOK 230,000,000 issued under the Original Bond Agreement.~~

The Face Value is NOK 1.00. The Tranche B Bonds shall rank *pari passu* between themselves.



The Tranche B Bond Issue will be described as “~~FRN~~1.25 per cent Island Offshore Shipholding, L.P. Tranche B ~~Senior~~Subordinated Unsecured Callable Bond Issue 2013/~~2019~~2021”.

The ISIN of the Tranche B Bond Issue ~~will be~~is NO 001 076050.7.

The tenor of the Tranche B Bonds is from and including the Tranche B Issue Date to the Tranche B Maturity Date.

### 3 ~~Listing~~(Not Used)

~~3.1 The Tranche A Bonds are listed on Oslo Børs ASA’s Alternative Bond Market (“ABM”).~~

~~3.2 The Issuer shall ensure that the Tranche A Bonds remain listed until they have been discharged in full.~~

~~3.3 The Tranche B Bonds will initially not be listed on an Exchange. An application may be made for listing on ABM at the discretion of the Issuer.~~

~~3.4 If the Tranche B Bonds are listed, the Issuer shall ensure that the Tranche B Bonds remain listed until they have been discharged in full.~~

### 4 Registration in the Securities Depository

4.1 Each Bond Issue and the Bonds ~~shall prior to disbursement be~~are registered in the Securities Depository according to the Norwegian Securities Depository Act (Act 2002/64) and the terms and conditions of the Securities Depository.

4.2 The Issuer shall ensure that correct registration in the Securities Depository ~~is~~has been made and shall notify the Securities Depository of any changes in the terms and conditions of this Bond Agreement. The Bond Trustee shall receive a copy of the notification. The registration may be executed by the Paying Agent.

4.3 The Bonds have not been registered under the US Securities Act, and the Issuer is under no obligation to arrange for registration of the Bonds under the US Securities Act.

### 5 Purchase and transfer of Bonds

5.1 Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business). Each Bondholder must ensure compliance with applicable local laws and regulations at its own cost and expense.

5.2 Notwithstanding the above, a Bondholder which has purchased the Bonds in breach of applicable mandatory restrictions may nevertheless utilize its rights (including, but not limited to, voting rights) under this Bond Agreement.



## 6 ~~Conditions Precedent~~ (Not used)

6.1 ~~Disbursement of the net proceeds of the bonds issued under the Original Bond Agreement was subject to the Bond Trustee (on behalf of the Bondholders) having received the documents set forth in Clause 6.1 of the Original Bond Agreement, in form and substance reasonably satisfactory to it at least two Business Days prior to the Tranche A Issue Date.~~ (Not used)

## 7 Representations and Warranties

7.1 The Issuer represents and warrants to the Bond Trustee that:

### 7.1.1.1 *Status*

It is an exempted limited partnership, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

### 7.1.1.2 *Power and authority*

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Bond Agreement and any other Finance Document to which it is a party and the transactions contemplated by those Finance Documents.

### 7.1.1.3 *Valid, binding and enforceable obligations*

This Bond Agreement and each other Finance Document to which it is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

### 7.1.1.4 *Non-conflict with other obligations*

The entry into and performance by it of this Bond Agreement and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any law or regulation or judicial or official order; (ii) its constitutional documents; or (iii) any agreement or instrument which is binding upon it or any of its assets.

### 7.1.1.5 *No Event of Default*

- (i) No Event of Default exists or is likely to result from the making of any drawdown under this Bond Agreement or the entry into, the performance of, or any transaction contemplated by, any other Finance Document.
- (ii) No other event or circumstance is outstanding which constitutes (or with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to

which its (or any of its Subsidiaries') assets are subject which has or is likely to have a Material Adverse Effect.

#### 7.1.1.6 *Authorizations and consents*

All authorisations, consents, approvals, resolutions, licenses, exemptions, filings, notarizations or registrations required:

- (i) to enable it to enter into, exercise its rights and comply with its obligations under this Bond Agreement or any other Finance Document to which it is a party; and
- (ii) to carry on its business as presently conducted and as contemplated by this Bond Agreement,

have been obtained or effected and are in full force and effect.

#### 7.1.1.7 *Litigation*

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

#### 7.1.1.8 *Financial Statements*

Its most recent Financial Statements and Interim Accounts fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with GAAP, consistently applied.

#### 7.1.1.9 *No Material Adverse Effect*

Since the date of the Financial Statements, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

#### 7.1.1.10 *No misleading information*

Any factual information provided by it to the subscribers or the Bond Trustee for the purposes of the Bond Issues was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

#### 7.1.1.11 *No withholdings*

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under this Bond Agreement.

#### 7.1.1.12 ~~Pari passu ranking~~ Ranking

Its payment obligations under this Bond Agreement or any other Finance Document to which it is a party rank ~~at least pari passu~~ as set out in Clause 8.1.

7.2 The representations and warranties set out in Clause 7.1 are made on the execution date of this Bond Agreement, and shall be deemed to be repeated on the ~~Tranche A Issue~~ Date of Agreement.



## 8 Status of the Bonds and security

- 8.1 ~~The Bonds shall constitute senior debt obligations of the Issuer. The Bonds shall rank at least behind the Senior Liabilities and~~ pari passu with ~~all other obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application) and shall rank ahead of subordinated debt~~ the Yard Liabilities.
- 8.2 The Bonds are unsecured.

## 9 Interest

- 9.1 ~~The Issuer shall pay interest on the par value of the Bonds from, and including, the Tranche A Issue Date at the Bond Reference Rate plus the Margin (together the “Floating Rate”).~~ Interest shall accrue on the Bonds as follows:
- ~~9.2 Interest payments shall be made in arrears on the Interest Payment Dates each year, the first Interest Payment Date falling in July 2013.~~
- ~~9.3 Interest accrued pursuant to Clause 9.1 to, but not including, the Effective Date, shall be paid in full in cash. For the avoidance of doubt, the Issuer shall pay cash interest also on the Tranche B Bonds from and including the Interest Payment Date prior to the Effective Date to, but not including, the Effective Date.~~
- ~~9.4 Interest accrued pursuant to Clause 9.1 from, and including, the Effective Date, shall be paid as follows:~~
- ~~(a) cash interest shall accrue on the par value of the Bonds at the Bond Reference Rate plus two point forty one a fixed rate of 1.25 per cent. (2.41%) per annum shall be paid in cash (the “Fixed Rate”); and~~
  - ~~(b) payment-in-kind interest (“PIK Interest”) shall accrue on the par value of the Bonds at the rate of two point eighty-four per cent. (2.84%) per annum shall be paid as payment-in-kind interest (“PIK Interest”).~~
- 9.2 The first NOK 2,608,080 of the cash interest accruing on the Tranche A Bonds and the first NOK 1,276,295 of the cash interest accruing on the Tranche B Bonds, pursuant to Clause 9.1(a) from the date of this Bond Agreement shall not be payable by the Issuer to the Bondholders, but be retained by the Issuer. Any additional cash interest accrued pursuant to Clause 9.1(a) shall, subject to Clause 15.5, be paid by the Issuer in arrears on each subsequent Interest Payment Date.
- 9.3 ~~9.5~~ The Issuer shall pay any accrued PIK Interest on the Tranche A Bonds by issuing additional Tranche A Bonds to the Bondholders holding Tranche A Bonds on the applicable Interest Payment Date. The amount of additional Tranche A Bonds issued to a Bondholder holding Tranche A Bonds shall be calculated as the product of (x) the aggregate amount of accrued PIK Interest on the Tranche A Bonds for the ~~quarter~~ previous six month period ending on the relevant Interest Payment Date and (y) a fraction, the numerator of which is the aggregate amount of Tranche A Bonds held

by that Bondholder and the denominator of which is the aggregate amount of the Tranche A Bonds, provided that the total amount of additional Tranche A Bonds issued to a Bondholder shall be rounded to the nearest NOK 1.00.

9.4 ~~9.6~~ The Issuer shall pay any accrued PIK Interest on the Tranche B Bonds by issuing additional Tranche B Bonds to the Bondholders holding Tranche B Bonds on each Interest Payment Date. The amount of additional Tranche B Bonds issued to a Bondholder holding Tranche B Bonds shall be calculated as the product of (x) the aggregate amount of accrued PIK Interest on the Tranche B Bonds for the ~~quarter~~ previous six month period ending on the relevant Interest Payment Date and (y) a fraction, the numerator of which is the aggregate amount of Tranche B Bonds held by that Bondholder and the denominator of which is the aggregate amount of the Tranche B Bonds, provided that the total amount of additional Tranche B Bonds issued to a Bondholder shall be rounded to the nearest NOK 1.00.

~~9.7~~ The relevant interest payable amount shall be calculated based on a period from, and including, one Interest Payment Date (as the case may be) to, but excluding, the next following applicable Interest Payment Date.

~~9.8~~ The day count fraction ("Floating Rate Day Count Fraction") in respect of the calculation of the payable interest amount shall be "Actual/360", which means that the number of days in the calculation period in which payment being made divided by 360.

~~9.9~~ The applicable Floating Rate on the Bonds is set/reset on each Interest Payment Date by the Bond Trustee commencing on the Interest Payment Date at the beginning of the relevant calculation period, based on the Bond Reference Rate two Business Days preceding that Interest Payment Date.

~~9.10~~ When the interest rate is set for the first time and on subsequent interest rate resets, the next Interest Payment Date, the interest rate applicable up to the next Interest Payment Date and the actual number of calendar days up to that date shall immediately be notified to the Bondholders, the Issuer, the Paying Agent, and if the Bonds are listed, the Exchange.

~~9.11~~ The payable interest amount per Bond for a relevant calculation period shall be calculated as follows:

~~9.12~~ 
$$\text{Interest} = \text{Face} \times \text{Floating} \times \text{Floating Rate}$$

~~9.13~~ 
$$\text{Amount} = \text{Value} \times \text{Rate} \times \text{Day Count Fraction}$$

9.5 Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each and, in case of an incomplete month, the actual number of days elapsed (30/360-days basis).

## 10 Maturity of the Bonds and Redemption

### 10.1 Maturity



The Tranche A Bonds shall mature in full on the Tranche A Maturity Date, and shall be repaid at par (100%) by the Issuer.

The Tranche B Bonds shall mature in full on the Tranche B Maturity Date, and shall be repaid at par (100%) by the Issuer.

## 10.2 *Call Option*

10.2.1 ~~10.3~~ The Issuer may redeem the Tranche A ~~Bond Issue~~ Bonds in whole or in part ~~as follows (Call Option):~~

~~10.4 — with settlement date from and including the Interest Payment Date in April 2015 to, but not including, the Interest Payment Date in April 2018 at 103.5% of par plus accrued interests on redeemed amount; and 10.5 — with settlement date from and including the Interest Payment Date in April 2018 to, but not included at any time to, but not including, the Tranche A Maturity Date at 100% of par plus accrued interests on redeemed amount.~~

10.2.2 ~~10.6~~ The Issuer may redeem the Tranche B ~~Bond Issue~~ Bonds in whole or in part ~~as follows (Call Option)~~ with settlement date from and including the date on which the Tranche A Bond Issue has been redeemed in full to, but not ~~included~~ including, the Tranche B Maturity Date at 100% of par plus accrued interests on redeemed amount.

10.2.3 ~~10.6.1~~ Exercise of the Call Option shall be notified by the Issuer in writing to the Bond Trustee and the Bondholders at least thirty Business Days prior to the settlement date of the Call Option.

10.2.4 ~~10.6.2~~ Partial redemption must be carried out *pro rata* (in accordance with the procedures of the Securities Depository).

10.2.5 ~~10.6.3~~ On the settlement date of the Call Option, the Issuer shall pay to each of the Bondholders holding Bonds to be redeemed, in respect of each such Bond, the principal amount of such Bond ~~(including any premium as stated above)~~ and any unpaid interest accrued up to the settlement date.

10.2.6 ~~10.6.4~~ Bonds redeemed by the Issuer in accordance with this Clause 10.2 shall be discharged against the Outstanding Bonds.

## 10.3 ~~10.7~~ *Change of control*

~~10.7.1 — Upon the occurrence of a Change of Control Event, each Bondholder shall have the right to require that the Issuer redeems its Bonds (a “Put Option”) at a price of 100% of par plus accrued interest.~~

~~10.7.2 — The Put Option must be exercised within 30 calendar days after the Issuer has given notification to the Bond Trustee of a Change of Control Event. Such notification shall be given as soon as possible after a Change of Control Event has taken place.~~

~~10.7.3 — The Put Option may be exercised by each Bondholder by giving written notice of the request to its Account Manager. The Account Manager shall notify the Paying Agent of the redemption request. The settlement date of the Put Option shall be the third Business Day after the end of the 30 calendar days exercise period of the Put Option.~~

~~On the settlement date of the Put Option, the Issuer shall pay to each of the Bondholders holding Bonds to be redeemed, the principal amount of each such Bond and any unpaid interest accrued up to (but not including) the settlement date.~~

10.3.1 No Change of Control Event will allow the Bondholder to require that the Issuer redeems any or all of the Bonds.

## 11 Payments

### 11.1 *Covenant to pay*

11.1.1 ~~The~~Subject to the Subordination Agreement the Issuer will on any Payment Date (or any other due date pursuant to any Finance Document) ~~unconditionally~~ pay to or to the order of the Bond Trustee all amounts due under this Bond Agreement or any other Finance Document.

11.1.2 The covenant contained in Clause 11.1.1 shall be for the benefit of the Bond Trustee and the Bondholders.

### 11.2 *Payment mechanics*

11.2.1 If no specific order is made by the Bond Trustee under Clause 11.1.1, the Issuer shall pay all amounts due to the Bondholders under this Bond Agreement or any other Finance Document by crediting the bank account nominated by each Bondholder in connection with its securities account in the Securities Depository.

11.2.2 Payment shall be deemed to have been made once the amount has been credited to the bank which holds the bank account nominated by the Bondholder in question, but if the paying bank and the receiving bank are the same, payment shall be deemed to have been made once the amount has been credited to the bank account nominated by the Bondholder in question, see however Clause 11.3.

11.2.3 In case of irregular payments, the Bond Trustee may instruct the Issuer or Bondholders of other payment mechanisms than described in Clause 11.2.1 or 11.2.2 above. The Bond Trustee may also obtain payment information regarding Bondholders' accounts from the Securities Depository or Account Managers.

11.2.4 Subject to Clause 11.3, payment by the Issuer in accordance with this Clause 11.2 shall constitute good discharge of its obligations under Clause 11.1.1.

### 11.3 *Currency*

11.3.1 If the Bonds are denominated in other currencies than NOK, each Bondholder has to provide the Paying Agent (either directly or through its Account Manager) with specific payment instructions, including foreign exchange bank account details. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, cash settlement may be delayed, and payment shall be deemed to have been made at the date of the cash settlement, provided however, that no default interest or other penalty shall accrue for the account of the Issuer.



11.3.2 Except as otherwise expressly provided, all amounts payable under this Bond Agreement and any other Finance Document shall be payable in the same currency as the Bonds are denominated in. If, however, the Bondholder has not given instruction as set out in Clause 11.3 within five Business Days prior to a Payment Date, the cash settlement will be exchanged into NOK and credited to the NOK bank account registered with the Bondholder's account in the Securities Depository.

11.3.3 Amounts payable in respect of costs, expenses, taxes and other liabilities of a similar nature shall be payable in the currency in which they are incurred.

#### 11.4 *Set-off and counterclaims*

The Issuer may not apply or perform any counterclaims or set-off against any payment obligations pursuant to this Bond Agreement or any other Finance Document.

#### 11.5 *Interest in the event of late payment*

11.5.1 In the event that any amount due under this Bond Agreement or any Finance Document is not made on the relevant due date and this is not due to an agreed deferral according to the provisions of the Subordination Agreement, the unpaid amount shall bear interest from the due date at an interest rate equivalent to the interest rate according to Clause 9 plus five per cent. (5.00%) per annum.

11.5.2 The interest charged under this Clause 11.5 shall be added to the defaulted amount on each respective Interest Payment Date relating thereto until the defaulted amount has been repaid in full.

11.5.3 The unpaid amounts shall bear interest as stated above until payment is made, whether or not the Bonds are declared to be in default pursuant to Clause ~~15.1(a)~~ 15.1.1.1, cf. Clauses 15.2 - 15.4.

#### 11.6 *Partial payments*

If the Bond Trustee or the Paying Agent receives a payment that is insufficient to discharge all the amounts then due and payable under the Finance Documents, that payment shall be applied in the following order:

- (a) first, in or towards payment of any unpaid fees, costs and expenses of the Bond Trustee under the Finance Documents;
- (b) secondly, in or towards payment of any accrued interest due but unpaid under the Bond Agreement, *pro rata* and without any preference or priority of any kind; and
- (c) thirdly, in or towards payment of any principal due but unpaid under the Bond Agreement, *pro rata* and without any preference or priority of any kind.

## 12 Issuer's acquisition of Bonds

The Issuer has the right to acquire and own Tranche A Bonds.

Any acquisitions of Tranche A Bonds by the Issuer or any person or persons over whom the Issuer has Decisive Influence shall require such party to make a public tender offer to all holders of Tranche A Bonds (excluding Issuer's Bonds).

The Issuer has the right to acquire and own Tranche B Bonds, from and including the date on which the Tranche A Bond Issue has been redeemed in full.

The Issuer's holding of Bonds may at the Issuer's discretion be retained by the Issuer, sold or discharged.

## 13 Covenants

### 13.1 General

13.1.1 The Issuer undertakes from the date of this Bond Agreement and until such time that no amounts are outstanding under this Bond Agreement or any other Finance Document, to the Bond Trustee, as further set out in this Clause 13.

### 13.2 Information Covenants

13.2.1 The Issuer shall:

- (a) without being requested to do so, promptly inform the Bond Trustee in writing of any Event of Default, any event or circumstance which the Issuer understands or ought to understand may lead to an Event of Default and any other event which may have a Material Adverse Effect;
- (b) without being requested to do so, inform the Bond Trustee in writing if the Issuer agrees to sell or dispose of all or a substantial part of its assets or operations, or change the nature of its business;
- ~~(c) without being requested to do so, prepare Financial Statements and make them available to the Bond Trustee (or via the distribution system at the Oslo Stock Exchange as long as the Issuer's bonds are listed) and on its web pages for public distribution in the English language as soon as they become available, and not later than 120 days after the end of the financial year;~~
- ~~(d) without being requested to do so, prepare Interim Accounts and make them available to the Bond Trustee (or via the distribution system at the Oslo Stock Exchange as long as the Issuer's bonds are listed) and on its web pages for public distribution in the English language as soon as they become available, and not later than 60 days after the end of the relevant quarter;~~
- ~~(e) from and including the Interim Accounts for the quarter ending on 31 March 2016, include in each Financial Statements and Interim Report: (i) the calculation of the financial covenants set out in Clause 13.5, (ii) contract coverage for each of the vessels in the Group, (iii) overview of any~~



~~outstanding commitments for capital expenditures for the Group, and (iv) a debt maturity profile for the Group;~~

- (c) ~~(f)~~ at the request of the Bond Trustee, report the balance of the Issuer's Bonds;
- (d) ~~(g)~~ without being requested to do so, send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;
- (e) ~~(h)~~ if the Bonds are listed on an Exchange, without being requested to do so, send a copy to the Bond Trustee of its notices to the Exchange;
- (f) ~~(i)~~ if the Issuer and/or the Bonds are rated, without being requested to do so, inform the Bond Trustee of its and/or the rating of the Bond Issues, and any changes to such rating;
- (g) ~~(j)~~ without being requested to do so, inform the Bond Trustee of changes in the registration of the Bonds in the Securities Depository; and
- (h) ~~(k)~~ within a reasonable time, provide such information about the Issuer's business, assets and financial condition as the Bond Trustee may reasonably request.

13.2.2 The Issuer shall ~~in connection with the publication of its financial reports under Clause 13.2.1(e) and (d)~~, confirm to the Bond Trustee in writing the Issuer's compliance with the covenants in this Clause 13, unless the Bond Trustee explicitly waives such requirement. Such confirmation shall be undertaken in a certificate, substantially in the form set out in **Attachment Schedule 1** hereto, signed by the Chief Executive Officer or Chief Financial Officer of the Issuer (a "**Compliance Certificate**"). In the event of non-compliance, the Compliance Certificate shall describe the non-compliance, the reasons therefore as well as the steps which the Issuer has taken and will take in order to rectify the non-compliance.

### 13.3 General Covenants

#### 13.3.1.1 ~~Pari-passu ranking~~ Ranking

The Issuer shall ensure that its obligations under this Bond Agreement and any other Finance Document shall at all time rank ~~at least pari-passu~~ as set out in Clause 8.1.

#### 13.3.1.2 Mergers

The Issuer shall not, and shall ensure that no other Group Company shall, carry out any merger or other business combination or corporate reorganization involving a consolidation of the assets and obligations of the Issuer or any of the Subsidiaries with any other companies or entities if such transaction would have a Material Adverse Effect.

#### *13.3.1.3 De-mergers*

The Issuer shall not, and shall ensure that no other Group Company shall, carry out any de-merger or other corporate reorganization involving a split of the Issuer or any of the Subsidiaries into two or more separate companies or entities, if such transaction would have a Material Adverse Effect.

#### *13.3.1.4 Continuation of business*

The Issuer shall not cease to carry on its business, and shall procure that no substantial change is made to the general nature of the business of the Group from that carried on at the date of this Bond Agreement, and/or as set out in this Bond Agreement.

#### *13.3.1.5 Disposal of business*

The Issuer shall not, and shall procure that no other Group Company shall, sell or otherwise dispose of all or a substantial part of the Group's assets or operations, unless:

- (i) the transaction is carried out at fair market value, on terms and conditions customary for such transactions; and
- (ii) such transaction would not have a Material Adverse Effect.

#### *13.3.1.6 Arm's length transactions*

The Issuer shall not engage in, or permit any Subsidiary to engage in, directly or indirectly, any transaction with any party not being a Group Company (without limitation, the purchase, sale or exchange of assets or the rendering of any service), except in the ordinary course of business and pursuant to the reasonable requirement of the Issuer's or such Group Member's business and upon fair and reasonable terms that are no less favourable to the Issuer or such Group Company, as the case may be, than those which might be obtained in an arm's length transaction at the time.

#### *13.3.1.7 Corporate status*

The Issuer shall not change its type of organization or jurisdiction of incorporation.

#### *13.3.1.8 Compliance with laws*

The Issuer shall, and shall ensure that all other Group Companies shall, carry on its business in accordance with acknowledged, careful and sound practices in all material aspects and comply in all material respects with all laws and regulations it or they may be subject to from time to time.

#### *13.3.1.9 Financial assistance*

The Issuer shall ensure that no Group Company grants any loan, guarantee or other financial assistance (including, but not limited to granting of security) to or on behalf of any third party not being a Group Company, other than in the ordinary course of business.

### *13.4 Special covenants*

#### *13.4.1.1 Ownership of Material Subsidiaries*



The Issuer shall not sell, transfer, assign or otherwise dilute or dispose of any shares or any other ownership interest in any Material Subsidiary to any person not being a Group Company, unless the transaction is carried out at fair market value, on terms and conditions customary for such transaction and further provided that such transaction does not have a Material Adverse Effect.

#### *13.4.1.2 Dividends and other distributions*

The Issuer shall not declare or make any dividend payments or other distributions or loans to its shareholders, whether in cash or in kind, including without limitation, repurchase of shares, any total return swaps or instruments with similar effect, or reductions in its share capital or equity.

#### *13.4.1.3 Subsidiaries' distributions*

The Issuer shall not permit any Subsidiary to create or permit to exist any contractual obligation (or encumbrance) restricting the right of any Subsidiary to (i) pay dividends or make other distributions to its shareholders, (ii) service any financial indebtedness to the Issuer, (iii) make any loans to the Issuer, if the creation of such contractual obligation is reasonably likely to prevent the Issuer from complying with its payment obligations under the Bond Agreement, except as set forth in or to the extent required to comply with customary cash waterfall provisions, financial covenants or other similar restrictions in financing agreements, or in any shareholders' or joint venture agreements governing any Subsidiary which is not directly or indirectly wholly owned by the Issuer.

#### *13.4.1.4 Subordination of Shareholder Loans*

The Issuer shall ensure that any Shareholder Loan shall in all respect be fully subordinated to the Bonds, and that no repayment of principal and payment of cash interest shall be made in respect of any Shareholder Loan (for the avoidance of doubt, any accrued interests shall be accumulated and added to the principal of such Shareholder Loan).

#### *13.4.1.5 Capital expenditures*

The Issuer shall ensure that there shall be no new capital expenditures by ~~any Group Company~~ the Issuer except for:

- (i) capital expenditure connected to normal maintenance to operate vessels currently owned by the Group; ~~and~~

~~capital expenditures in respect of the acquisition of the newbuild vessels TBN 'Island Victory' and TBN 'Island Navigator', provided always that the aggregate amount of such capital expenditures shall be no larger than the sum of: (a) NOK 68 million, (b) any capital expenditure funded by the Issuer (directly or indirectly through loans or equity contributions (including debt to equity conversion) in other Group Companies) provided that an equal amount is contributed to the Issuer in the form of equity contributions or Subordinated Loans prior to such capital expenditures being made, (c) any capital expenditure funded by equity contributions from the shareholders or partners (other than the Issuer) in any other Group Company, and (d) any Financial~~

~~Indebtedness secured by mortgages over the newbuild vessels TBN 'Island Victory' and TBN 'Island Navigator'.~~

#### 13.4.1.6 Contribution and loans by the Issuer to Group Companies

The Issuer shall not make any loans to (short or long-term), any equity contributions to or investments in (including by conversion of debt to equity) other Group Companies, if the making of such loans, equity contributions or investments is reasonably likely to prevent the Issuer from complying with its payment obligations under the Bond Agreement as amended by the Subordination Agreement.

#### ~~13.4.1.7 Issuer's repayment of long-term unsecured payment obligations~~

~~Until the Tranche A Bonds have been settled in full, the Issuer shall not: (i) repay any long-term unsecured payment obligations (principal or instalments) owed to other Group Companies, the Issuer's shareholders or other third parties which matures after 5 April 2016, or (ii) make any changes to any agreement governing such obligations which is reasonably likely to prevent the Issuer from complying with its payment obligations under the Bond Agreement.~~

### 13.5 Financial covenants

The financial covenants set forth in this Clause 13.5 shall be suspended until the Tranche A Maturity Date/Tranche B Maturity Date.

#### 13.5.1.1 ~~13.4.1.8~~ Value Adjusted Equity Ratio

The Issuer shall ensure that the Value Adjusted Equity Ratio of the Group on a consolidated basis shall not fall below 15%.

#### 13.5.1.2 ~~13.4.1.9~~ Liquidity

The Issuer shall ensure that it maintains Cash and Cash Equivalents in an amount of no less than NOK 50 million on an unconsolidated basis.

#### 13.5.1.3 ~~13.4.1.10~~ Debt Service Coverage Ratio

The Issuer shall (on an unconsolidated basis) maintain a ratio of EBITDA to Debt Service of:

- (i) for the Relevant Periods ending 31 December 2015, 31 March 2016, 30 June 2016, 30 September 2016 and 31 December 2016: minimum 0.6; and
- (ii) for the Relevant Periods ending 31 March 2017 (and each Relevant Period thereafter): minimum 1.10,

unless the Issuer's Cash and Cash Equivalents (on an unconsolidated basis) exceeds 50% of aggregate instalments which would have been due during the subsequent 12 months period if the Deferred Payments had not been deferred, and excluding, for the avoidance of doubt, any balloon payments, in which case the Debt Service Cover Ratio set out in (i) to (ii) above shall not apply.



#### 13.5.1.4 ~~13.4.1.11~~ *Gearing Ratio*

The Issuer shall ensure that the Group on a consolidated basis maintains a maximum Gearing Ratio of:

- (i) for the Relevant Periods ending 31 December 2015, 31 March 2016, 30 June 2016, 30 September 2016 and 31 December 2016: 8.5;
- (ii) for the Relevant Period ending 31 March 2017, 30 June 2017, 30 September 2017 and 31 December 2017: 7.5; and
- (iii) for the Relevant Period ending 31 March 2018 (and each Relevant Period thereafter): 6.0.

The Issuer undertakes to comply with (a) to (d) above at all times, such compliance to be measured for each Relevant Period and certified according to Clause 13.2.2.

If the Issuer fails (or would otherwise fail) to comply with any of the financial covenants for any Relevant Period, and within 25 Business Days of delivery of the compliance certificate for that Relevant Period, the Issuer receives net cash proceeds from any person (other than a Group Member) in consideration of the issue of new limited partnership interests (a “**Cure Amount**”), then such financial covenant shall be recalculated giving effect to the following pro forma adjustments, as relevant:

- (a) for the purpose of measuring the Book Equity, the Book Equity shall be increased by the Cure Amount;
- (b) for the purpose of measuring the Gearing Ratio, the Net Interest Bearing Debt shall be reduced by the Cure Amount;
- (c) for the purpose of measuring the Liquidity, the Cash and Cash Equivalent shall be increased by the Cure Amount to the extent the Issuer has free and unrestricted access to the Cure Amount and the Cure Amount is not subject to any encumbrance; and
- (d) for the purpose of measuring the Debt Service Coverage Ratio, Debt Service shall be recalculated for the Relevant Period and the following three Relevant Periods, as if the Cure Amount had been applied in prepayment of the Bonds at the beginning of the Relevant Period (such period the “**First Relevant Period**”) and interest accruing on the Bonds during the First Relevant Period had been decreased by an amount equal to the interest which would have accrued on the amount deemed to have been prepaid over the First Relevant Period (such reduction to have effect also for the three next Relevant Periods, as if the Cure Amount was applied in prepayment of the Bonds at the beginning of the First Relevant Period).

For the avoidance of doubt, any part of a Cure Amount shall only be taken into account once when determining compliance with any particular financial covenant and cannot be double counted.

If, after giving effect to the foregoing recalculations, the Issuer is in compliance with all the financial covenants, the Issuer shall be deemed to have satisfied the

requirements of the financial covenants as of the relevant original date of determination as though there had been no failure to comply with such requirement, and the breach of the applicable financial covenants which had occurred shall be deemed to have been cured.

**“Book Equity”** means the Issuer’s consolidated book equity, calculated in accordance with the GAAP, plus the amount of any Shareholder Loan that is not considered as book equity pursuant to GAAP.

**“Cash and Cash Equivalent”** means the amounts (expressed in NOK or NOK equivalent) on such date of the then current market value of:

- (a) cash in hand or amounts standing to the credit of any current and/or on deposit accounts with an acceptable bank; and
- (b) time deposits with acceptable banks and certificates of deposit issued, and bills of exchange accepted, by an acceptable bank,

in each case to which the Issuer (or, when calculating on a consolidated basis any other Group Company, as the case may be) is beneficially entitled at that time and to which the Issuer (or any such Group Company) has free and unrestricted access and which is not subject to any encumbrance. Any amount standing to the credit of any earnings accounts of the Issuer (or any other Group Company, as the case may be) shall be regarded as Cash and Cash Equivalents as long as no event of default has occurred under any of the Issuer’s or any other Group Companies’ credit facilities (including the Bond Issues). An “acceptable bank” for this purpose is:

- (i) a commercial bank, savings bank and trust company which has a minimum “A” credit rating from S&P or Moody’s or a comparable rating from a nationally recognised credit ranking agency for its long-term debt obligations; or
- (ii) a bank or financial institution which is authorised to carry on banking business in Norway.

**“Debt Service”** means, in respect of any Relevant Period, the aggregate of accrued interest and instalments payable on all Interest Bearing Debt.

**“EBITDA”** means, in respect of any Relevant Period, earnings before interest, taxes, depreciation and amortization, on a consolidated basis for the Group or on an unconsolidated basis for the Issuer, as the case may be.

**“Excess Value”** means the positive or negative difference between the Market Value of the Vessels and the book value of the Vessels.

**“Gearing Ratio”** means the ratio of Net Interest Bearing Debt to EBITDA.

**“Interest Bearing Debt”** means all interest bearing debt of the Issuer on an unconsolidated basis or the Group on a consolidated basis, as the case may be, always in accordance with GAAP.



**“Market Value of the Vessels”** means the consolidated fair market value of the Vessels set as the average value of the Vessels (for vessels under construction, estimated market value of a delivered vessel adjusted for remaining capex) from two reputable and independent appraisers appointed by the Issuer. Such appraisers to be the same appraisers as for any bank loan facilities, to the extent possible. Such valuations shall be made on the basis of a sale for prompt delivery for cash at arm’s length terms as between a willing buyer and a willing seller, on an “as is where is” basis, free of any existing charter or other contract of employment. Market Value of the Vessels shall be determined twice a year, on account of the Issuer.

**“Net Interest Bearing Debt”** means Interest Bearing Debt (excluding any Shareholder Loan) less Cash and Cash Equivalents, each of the Issuer on an unconsolidated basis or the Group on a consolidated basis, as the case may be.

**“Relevant Period”** means each period of twelve months ending on a Quarter Date.

**“Value Adjusted Equity”** means the Book Equity adjusted to take into account any Excess Value.

**“Value Adjusted Equity Ratio”** means the ratio of Value Adjusted Equity to Value Adjusted Total Assets

**“Value Adjusted Total Assets”** means the book value, on a consolidated basis, of the Group’s total assets in accordance with GAAP adjusted to take into account any Excess Value.

**“Vessels”** means all and any vessel owned by a Group Company including any vessels under construction.

## 14 Fees and expenses

- 14.1 The Issuer shall cover all costs and expenses incurred by it or the Bond Trustee (and/or the Security Agent) in connection with this Bond Agreement and the fulfilment of its obligations under this Bond Agreement or any other Finance Document, including in connection with the negotiation, preparation, execution and enforcement of this Bond Agreement and the other Finance Documents and any registration or notifications relating thereto (including any stamp duty), the listing of the Bonds on an Exchange (if applicable), and the registration and administration of the Bonds in the Securities Depository. The Bond Trustee may withhold funds from any escrow account (or similar arrangement) or from other funds received from the Issuer or any other person, irrespective of such funds being subject to Security under a Finance Documents, to set-off and cover any such costs and expenses.
- 14.2 The fees, costs and expenses payable to the Bond Trustee (and/or the Security Agent) shall be paid by the Issuer and are set out in a separate agreement between the Issuer and the Bond Trustee (and/or the Security Agent).
- 14.3 Fees, costs and expenses payable to the Bond Trustee (or the Security Agent) which, due to the Issuer’s insolvency or similar circumstances, are not reimbursed in any

other way may be covered by making an equivalent reduction in the proceeds to the Bondholders hereunder of any costs and expenses incurred by the Bond Trustee (or the Security Agent) in connection with the restructuring or default of the Bond Issues and the enforcement of any Security.

- 14.4 Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer is not responsible for reimbursing any such fees.
- 14.5 The Issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to the Bondholders.
- 14.6 If the Issuer is required by law to withhold any withholding tax from any payment under any Finance Document:
  - (a) the amount of the payment due from the Issuer shall be increased to such amount which is necessary to ensure that the Bondholders receive a net amount which is (after making the required withholding) equal to the payment which would have been due if no withholding had been required; and
  - (b) the Issuer shall at the request of the Bond Trustee deliver to the Bond Trustee evidence that the required tax reduction or withholding has been made.
- 14.7 If any withholding tax is imposed due to subsequent changes in applicable law after the date of this Bond Agreement, the Issuer shall have the right to call all but not some of the Bonds at par value plus accrued interest. Such call shall be notified by the Issuer in writing to the Bond Trustee and the Bondholders at least thirty - 30 - Business Days prior to the settlement date of the call.

## 15 Events of Default

- 15.1 ~~The~~Subject always to the provisions of Clause 15.5 the Bond Trustee may declare the Bonds to be in default upon occurrence of any of the following events:

### 15.1.1.1 *Non-payment*

The Issuer fails to fulfil any payment obligation due under this Bond Agreement or any Finance Document when due, unless, in the opinion of the Bond Trustee, it is likely that such payment will be made in full within five Business Days following the original due date.

### 15.1.1.2 *Breach of other obligations*

The Issuer does not comply with any provision pursuant to this Bond Agreement or any other Finance Document, unless, in the opinion of the Bond Trustee, such failure is capable of being remedied and is remedied within ten Business Days after notice thereof is given to the Issuer by the Bond Trustee.



### 15.1.1.3 Cross default

If for any Group Company:

- (i) any Financial Indebtedness is not paid when due nor within any originally applicable grace period;
- (ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);
- (iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or
- (iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

always provided that a threshold in the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above of a total of NOK 25 million, or the equivalent thereof in other currencies, shall apply.

### 15.1.1.4 Misrepresentations

Any representation, warranty or statement (including statements in compliance certificates) made under this Bond Agreement or any other Finance Document or in connection therewith is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made.

### 15.1.1.5 Insolvency

- (i) The Issuer or any Material Subsidiary is unable or admits inability to pay its debts as they fall due or suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (ii) The value of the assets of the Issuer or any Material Subsidiary is less than its liabilities (taking into account contingent and prospective liabilities)
- (iii) A moratorium is declared in respect of any indebtedness of the Issuer or any Material Subsidiary.

### 15.1.1.6 Insolvency proceedings and dissolution

If for the Issuer or any Material Subsidiary, any corporate action, legal proceedings or other procedure step is taken in relation to:

- (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than solvent liquidation or reorganization;

- (ii) a composition, compromise, assignment or arrangement with any creditor, having an adverse effect on the Issuer's ability to perform its payment obligations hereunder;
- (iii) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or
- (iv) its dissolution,

or any analogous procedure or step is taken in any jurisdiction.

This Clause ~~15.1(4)~~ 15.1.1.6 shall not apply to any winding-up petition or analogous action or procedure which is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of its commencement.

#### *15.1.1.7 Creditors' process*

The Issuer or any Material Subsidiary has a substantial proportion of the assets impounded, confiscated, attached or subject to distraint, or is subject to enforcement of any Security over any of its assets.

#### *15.1.1.8 Impossibility or illegality*

It is or becomes impossible or unlawful for any Group Company to fulfil or perform any of the terms of any Finance Document to which it is a party.

#### *15.1.1.9 Material Adverse Change*

Any other event or circumstance occurs which, in the reasonable opinion of the Bond Trustee, after consultations with the Issuer, would have a Material Adverse Effect.

- 15.2 In the event that one or more of the circumstances mentioned in Clause 15.1 occurs and is continuing, the Bond Trustee can, subject to the provisions of Clause 15.5 in order to protect the interests of the Bondholders, declare the Outstanding Bonds including accrued interest, costs and expenses to be in default and due for immediate payment.

The Bond Trustee may at its discretion, take every measure necessary to recover the amounts due under the Outstanding Bonds, and all other amounts outstanding under this Bond Agreement and any other Finance Document.

- 15.3 In the event that one or more of the circumstances mentioned in Clause 15.1 occurs and is continuing, the Bond Trustee shall subject to the provisions of Clause 15.5 declare the Outstanding Bonds including accrued interest, costs and expenses to be in default and due for immediate payment if:
- (a) the Bond Trustee receives a demand in writing that a default shall be declared from Bondholders representing at least 1/5 of the Voting Bonds, and the Bondholders' Meeting has not decided on other solutions, or
  - (b) the Bondholders' Meeting has with simple majority decided to declare the Outstanding Bonds in default and due for payment.



In either case the Bond Trustee shall take every measure necessary to recover the amounts due under the Outstanding Bonds.

- 15.4** In the event that the Bond Trustee pursuant to the terms of Clauses 15.2 or 15.3 declares the Outstanding Bonds to be in default and due for payment, the Bond Trustee shall immediately deliver to the Issuer a notice demanding payment of interest and principal due to the Bondholders under the Outstanding Bonds including accrued interest and interest on overdue amounts and expenses. The claim derived from the Outstanding Bonds due for payment as a result of an Event of Default shall be calculated at the prices set out in Clause 10.2.

**15.5** Restriction on Enforcement etc.

Payments of interest hereunder shall always be subject to the Operational Earnings Waterfall as set forth in Schedule 3.

Notwithstanding anything to the contrary set forth herein; the Bond Trustee and the Bondholders shall not be entitled to declare the Bonds including accrued interest, costs and expenses to be in default and due for immediate payment or take any Enforcement Action (as this term is defined in the Subordination Agreement) in respect of the Bonds without the prior written consent of each Senior Finance Party (as this term is defined in the Subordination Agreement) and unless and until such consent is provided, no Event of Default shall be deemed to exist hereunder.

**16** **Bondholders' Meeting**

The provisions contained in this Clause 16 shall be subject to separate voting rights of the Tranche A Bondholders and the Tranche B Bondholders, including the resolution and voting requirements set out in Clause 16.3 which shall apply to each of the tranches individually. For the avoidance of doubt, any decision (including but not limited to changes or amendments to the Bond Agreement) made in the Tranche A Bondholders' Meeting shall only apply to the Tranche A Bonds and any decision (including but not limited to changes or amendments to the Bond Agreement) made in the Tranche B Bondholders' Meeting shall only apply to the Tranche B Bonds.

**16.1** *Authority of the Bondholders' Meeting*

- 16.1.1** The Bondholders' Meeting represents the supreme authority of the Bondholders community in all matters relating to the Bonds, and has the power to make all decisions altering the terms and conditions of the Bonds, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes. If a resolution by or an approval of the Bondholders holding Bonds of one particular Bond Issue or of all Outstanding Bonds under this Bond Loan Agreement is required, such resolution or approval shall be passed at a Bondholders' Meeting in respect of Bonds issued under that Bond Issue or all Outstanding Bonds under this Bond Agreement, as applicable. Resolutions passed at such a Bondholders' Meeting shall be binding upon and prevail for all Bonds of that Bond Issue or all Outstanding Bonds under this Bond Agreement, as applicable.

- 16.1.2 If a resolution by or an approval of the Bondholders holding Bond of one particular Bond Issue is required, such resolution or approval shall be passed at a Bondholders' Meeting in respect of Bonds issued under that Bond Issue.
- 16.1.3 The Bondholders' Meeting cannot resolve that any overdue payment of any instalment shall be reduced unless there is a pro rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.
- 16.1.4 If a resolution by or an approval of the Bondholders is required, such resolution shall be passed at a Bondholders' Meeting, see however Clause 17.1. Resolutions passed at Bondholders' Meetings shall be binding upon all Bondholders and prevail for all the Bonds.
- 16.2 *Procedural rules for Bondholders' meetings*
- 16.2.1 A Bondholders' Meeting shall be held at the written request of:
- (a) the Issuer;
  - (b) Bondholders representing at least 1/10 of the Voting Bonds;
  - (c) the Exchange, if the Bonds are listed; or
  - (d) the Bond Trustee.
- 16.2.2 The Bondholders' Meeting shall be summoned by the Bond Trustee. A request for a Bondholders' Meeting shall be made in writing to the Bond Trustee, and shall clearly state the matters to be discussed.
- 16.2.3 If the Bond Trustee has not summoned a Bondholders' Meeting within ten Business Days after having received a valid request, then the requesting party may summons the Bondholders' Meeting itself.
- 16.2.4 The notice of a Bondholders' Meeting shall be dispatched no later than ten Business Days prior to the date of the Bondholders' Meeting. The notice and a confirmation of each Bondholder's holdings of Bonds shall be sent to all Bondholders registered in the Securities Depository at the time of distribution. The notice shall also be sent to the Exchange for publication if the Bonds are listed.
- 16.2.5 The summons shall specify the agenda of the Bondholders' Meeting. The Bond Trustee may in the summons also set out other matters on the agenda than those requested. If amendments to this Bond Agreement have been proposed, the main content of the proposal shall be stated in the summons.
- 16.2.6 The Bond Trustee may restrict the Issuer from making any changes in the number of Voting Bonds in the period from distribution of the summons until the Bondholders' Meeting, by serving notice to it to such effect.
- 16.2.7 Matters that have not been reported to the Bondholders in accordance with the procedural rules for summoning of a Bondholders' Meeting may only be adopted with the approval of all Voting Bonds.



- 16.2.8 The Bondholders' Meeting shall be held on premises designated by the Bond Trustee. The Bondholders' Meeting shall be opened and shall, unless otherwise decided by the Bondholders' Meeting, be chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting shall be opened by a Bondholder, and be chaired by a representative elected by the Bondholders' Meeting.
- 16.2.9 Minutes of the Bondholders' Meeting shall be kept. The minutes shall state the numbers of Bondholders and Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the result of the voting. The minutes shall be signed by the chairman and at least one other person elected by the Bondholders' Meeting. The minutes shall be deposited with the Bond Trustee and shall be available to the Bondholders.
- 16.2.10 The Bondholders, the Bond Trustee and – provided the Bonds are listed – representatives of the Exchange, have the right to attend the Bondholders' Meeting. The chairman may grant access to the meeting to other parties, unless the Bondholders' Meeting decides otherwise. Bondholders may attend by a representative holding proxy. Bondholders have the right to be assisted by an advisor. In case of dispute the chairman shall decide who may attend the Bondholders' Meeting and vote for the Bonds.
- 16.2.11 Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders' Meeting may resolve that the Issuer's representatives may not participate in particular matters. The Issuer has the right to be present under the voting.

### 16.3 *Resolutions passed at Bondholders' Meetings*

- 16.3.1 At the Bondholders' Meeting each Bondholder may cast one vote for each Voting Bond of the relevant Bond Issue owned at close of business on the day prior to the date of the Bondholders' Meeting in accordance with the records registered in the Securities Depository. The Bond Trustee may, at its sole discretion, accept other evidence of ownership. Whoever opens the Bondholders' Meeting shall adjudicate any question concerning which Bonds shall count as the Issuer's Bonds. The Issuer's Bonds shall not have any voting rights.

For this purpose, a Bondholder that has a Bond that is nominee registered shall be deemed as the Bondholder of such Bond (instead of the nominee) provided that the Bondholder presents relevant evidence stating that the relevant Bondholder is the Bondholder of the Bond and the amount of Bonds held by such Bondholder.

- 16.3.2 In all matters, the Issuer, the Bond Trustee and any Bondholder have the right to demand vote by ballot. In case of parity of votes, the chairman shall have the deciding vote, regardless of the chairman being a Bondholder or not.
- 16.3.3 In order to form a quorum, at least half (1/2) of the Voting Bonds of the relevant Bond Issue must be represented at the meeting, see however Clause 16.4. Even if less than half (1/2) of the Voting Bonds of the relevant Bond Issue are represented, the Bondholders' Meeting shall be held and voting completed.

- 16.3.4 Resolutions shall be passed by simple majority of the Voting Bonds of the relevant Bond Issue(s) represented at the Bondholders' Meeting, unless otherwise set out in Clause 16.3.5.
- 16.3.5 A majority of at least 2/3 of the Voting Bonds in the relevant Bond Issue represented at the Bondholders' Meeting is required for any waiver or amendment of any terms of this Bond Agreement.
- 16.3.6 The Bondholders' Meeting may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.
- 16.3.7 The Tranche B Bondholders' Meeting may not adopt any amendments to the Tranche B Bonds or adopt any resolution that may adversely affect the Bondholders' position under the Tranche A Bonds (including but not limited to declaring or accelerating any event of default as set out in Clause 15) or gives the Tranche B Bonds more beneficial terms than the Tranche A Bonds without the approval by a majority of at least 2/3 of the Voting Bonds of the Tranche A Bonds represented at the Tranche A Bondholders' Meeting.
- 16.3.8 The Bond Trustee shall ensure that resolutions passed at the Bondholders' Meeting are properly implemented, however, the Bond Trustee may refuse to carry out resolutions being in conflict with this Bond Agreement (or any other Finance Document) or any applicable law.
- 16.3.9 The Issuer, the Bondholders and the Exchange shall be notified of resolutions passed at the Bondholders' Meeting.
- 16.4 *Repeated Bondholders' meeting*
- 16.4.1 If the Bondholders' Meeting does not form a quorum pursuant to Clause 16.3.3, a repeated Bondholders' Meeting may be summoned to vote on the same matters. The attendance and the voting result of the first Bondholders' Meeting shall be specified in the summons for the repeated Bondholders' Meeting.
- 16.4.2 A valid resolution may be passed at a repeated Bondholders' meeting even though less than half (1/2) of the Voting Bonds are represented.
- 16.5 *Written Bondholders' resolutions*
- 16.5.1 Anything which may be done by resolution of the Bondholders in a Bondholders' Meeting may be done by written resolution, without a Bondholders' Meeting, subject to the following conditions:
- (a) A notice of a written resolution shall be made at the written request of:
    - (i) the Issuer;
    - (ii) Bondholders representing at least 1/10 of the Voting Bonds;
    - (iii) the Exchange, if the Bonds are listed; or



(iv) the Bond Trustee.

- (b) Notice of a written resolution shall be given by the Bond Trustee, and a copy of the resolution shall be circulated to all Bondholders who would be entitled to attend a Bondholders' Meeting and vote thereon. The accidental omission to give notice to, or the non-receipt of a notice by, any Bondholder does not invalidate the passing of a resolution.
- (c) If the Bond Trustee has not given notice of a written resolution within five Business Days after having received a valid request, then the requesting party may give the notice of a written resolution itself.
- (d) A written resolution is passed when it is signed by or on behalf of the Bondholders who at the date that the notice is given represent such majority of votes as would be required if the resolution was voted on at a Bondholders' Meeting at which all Bondholders entitled to attend and vote thereat were present and voting.
- (e) A resolution in writing may be signed in any number of counterparts.
- (f) A resolution in writing made in accordance with this Bond Agreement is as valid as if it had been passed by the Bondholders in a Bondholders' Meeting, and any reference in any provision of this Bond Agreement to a Bondholders' Meeting at which a resolution is passed or to Bondholders voting in favour of a resolution shall be construed accordingly.

16.5.2 For the purposes of this clause 16.5, the effective date of the resolution is the date when the resolution is signed by or on behalf of the last Bondholder whose signature results in the necessary voting majority being achieved and any reference in any provision of this Bond Agreement to the date of passing of a resolution is, in relation to a resolution made in accordance with this clause 16.5, a reference to such date.

## 17 The Bond Trustee

### 17.1 *The role and authority of the Bond Trustee*

17.1.1 The Bond Trustee shall monitor the compliance by the Issuer of its obligations under this Bond Agreement and applicable laws and regulations which are relevant to the terms of this Bond Agreement, including supervision of timely and correct payment of principal or interest, (however, this shall not restrict the Bond Trustee from discussing matters of confidentiality with the Issuer), arrange Bondholders' Meetings, and make the decisions and implement the measures resolved pursuant to this Bond Agreement. The Bond Trustee is not obligated to assess the Issuer's financial situation beyond what is directly set out in this Bond Agreement.

17.1.2 The Bond Trustee may take any step it in its sole discretion considers necessary or advisable to ensure the rights of the Bondholders in all matters pursuant to the terms of this Bond Agreement and is entitled to rely on advice from professional advisors. The Bond Trustee may in its sole discretion postpone taking action until such matter has

been put forward to the Bondholders' Meeting. The Bond Trustee is not obliged to take any steps to ascertain whether any Event of Default has occurred and until it has actual knowledge or express notice to the contrary the Bond Trustee is entitled to assume that no Event of Default has occurred.

- 17.1.3 The Bond Trustee may make decisions binding for all Bondholders concerning this Bond Agreement, including amendments to this Bond Agreement and waivers or modifications of certain provisions, which in the opinion of the Bond Trustee, do not materially and adversely affect the rights or interests of the Bondholders pursuant to this Bond Agreement.
- 17.1.4 The Bond Trustee may reach decisions binding for all Bondholders in circumstances other than those mentioned in Clause 17.1.3 provided that prior notification has been made to the Bondholders. Such notice shall contain a proposal of the amendment and the Bond Trustee's evaluation. Further, such notification shall state that the Bond Trustee may not reach a decision binding for all Bondholders in the event that any Bondholder submits a written protest against the proposal within a deadline set by the Bond Trustee. Such deadline may not be less than five Business Days following the dispatch of such notification.
- 17.1.5 The Bond Trustee may reach other decisions than set out in Clauses 17.1.3 or 17.1.4 to amend or rectify decisions which due to spelling errors, calculation mistakes, misunderstandings or other obvious errors do not have the intended meaning.
- 17.1.6 The Bond Trustee may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.
- 17.1.7 The Issuer, the Bondholders and the Exchange shall be notified of decisions made by the Bond Trustee pursuant to Clause 17.1 unless such notice obviously is unnecessary.
- 17.1.8 The Bondholders' Meeting can decide to replace the Bond Trustee without the Issuer's approval, as provided for in Clause 16.3.5.
- 17.1.9 The Bond Trustee may act as bond trustee and/or security agent for several bond issues relating to the Issuer notwithstanding potential conflicts of interest. The Bond Trustee may delegate exercise of its powers to other professional parties.
- 17.1.10 The Bond Trustee may instruct the Paying Agent to split the Bonds to a lower denomination in order to facilitate partial redemptions or restructuring of the Bonds or other situations.
- 17.2 *Liability and indemnity*
  - 17.2.1 The Bond Trustee is liable only for direct losses incurred by Bondholders or the Issuer as a result of gross negligence or wilful misconduct by the Bond Trustee in performing its functions and duties as set out in this Bond Agreement. Such liability is limited to the maximum amount set out in Clause 2.2. The Bond Trustee is not liable for the content of information provided to the Bondholders on behalf of the Issuer.
  - 17.2.2 The Issuer is liable for, and shall indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees, agents and



representatives) to fulfil its obligations under the terms of this Bond Agreement and any other Finance Document, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer in connection with the establishment and performance of this Bond Agreement and any other Finance Document.

- 17.2.3 The Bond Trustee can as a condition for carrying out an instruction from the Bondholders (including, but not limited to, instructions set out in Clause 15.3(a) or 16.2.1 (b), require satisfactory security and indemnities for any possible liability and anticipated costs and expenses, from those Bondholders who requested that instruction and/or those who voted in favour of the decision to instruct the Bond Trustee. Any instructions from the Bondholders may be put forward to the Bondholders' Meeting by the Bond Trustee before the Bond Trustee takes any action.

### 17.3 *Change of Bond Trustee*

- 17.3.1 Change of Bond Trustee shall be carried out pursuant to the procedures set out in Clause 16. The Bond Trustee shall continue to carry out its duties as bond trustee until such time that a new Bond Trustee is elected.

- 17.3.2 The fees and expenses of a new bond trustee shall be covered by the Issuer pursuant to the terms set out in Clause 14, but may be recovered wholly or partially from the Bond Trustee if the change is due to a breach by the Bond Trustee of its duties pursuant to the terms of this Bond Agreement or other circumstances for which the Bond Trustee is liable.

- 17.3.3 The Bond Trustee undertakes to co-operate so that the new bond trustee receives without undue delay following the Bondholders' Meeting the documentation and information necessary to perform the functions as set out under the terms of this Bond Agreement.

### 17.4 *Appointment of Security Agent*

- 17.4.1 The Bond Trustee is, if at any time relevant, appointed to act as Security Agent for the Bond Issues.

The main functions of the Security Agent may include holding Security on behalf of the Bondholders and monitoring compliance by the Issuer and other relevant parties of their respective obligations under this Bond Agreement and/or any security documents with respect to the Security.

Before the appointment of a Security Agent other than the Bond Trustee, the Issuer shall be given the opportunity to state its views on the proposed Security Agent, but the final decision as to appointment shall lie exclusively with the Bond Trustee.

- 17.4.2 The functions, rights and obligations of the Security Agent may be determined by a Security Agent agreement to be entered into between the Bond Trustee and the Security Agent, which the Bond Trustee shall have the right to require the Issuer and any other parties to any security document to sign as a party, or, at the discretion of the Bond Trustee, to acknowledge. The Bond Trustee shall at all times retain the right to instruct the Security Agent in all matters.

Any changes to this Bond Agreement necessary or appropriate in connection with the appointment of a Security Agent shall be documented in an amendment to this Bond Agreement, signed by the Bond Trustee.

- 17.4.3 If so desired by the Bond Trustee, any or all relevant security documents shall be amended, assigned or re-issued, so that the Security Agent is the holder of the relevant Security (on behalf of the Bondholders). The costs incurred in connection with such amendment, assignment or re-issue shall be for the account of the Issuer.

## 18 Miscellaneous

### 18.1 *The community of Bondholders*

By virtue of holding Bonds, which are governed by this Bond Agreement (which pursuant to Clause 2.1.1 is binding upon all Bondholders), a community exists between the Bondholders, implying, inter alia, that:

- (a) the Bondholders are bound by the terms of this Bond Agreement;
- (b) the Bond Trustee has power and authority to act on behalf of, and/or represent; the Bondholders, in all matters, included but not limited to taking any legal or other action, including enforcement of the Bond Issues and/or any Security, opening of bankruptcy or other insolvency proceedings;
- (c) the Bond Trustee has, in order to manage the terms of this Bond Agreement, access to the Securities Depository to review ownership of Bonds registered in the Securities Depository; and
- (d) this Bond Agreement establishes a community between Bondholders meaning that:
  - (i) the Bonds rank *pari passu* between each other;
  - (ii) the Bondholders may not, based on this Bond Agreement, act directly towards the Issuer and may not themselves institute legal proceedings against the Issuer, however not restricting the Bondholders to exercise their individual rights derived from this Bond Agreement;
  - (iii) the Issuer may not, based on this Bond Agreement, act directly towards the Bondholders;
  - (iv) the Bondholders may not cancel the Bondholders' community; and
  - (v) the individual Bondholder may not resign from the Bondholders' community.

### 18.2 *Defeasance*

- 18.2.1 The Issuer may, at its option and at any time, elect to have certain obligations discharged (see Clause 18.2.2) upon complying with the following conditions ("**Security and Covenant Defeasance**"):



- (a) the Issuer shall have irrevocably pledged to the Bond Trustee for the benefit of the Bondholders cash or government bonds accepted by the Bond Trustee (the “**Defeasance Pledge**”) in such amounts as will be sufficient for the payment of principal (including if applicable premium payable upon exercise of a Call Option) and interest on the Outstanding Bonds to the Tranche A Maturity Date or the Tranche B Maturity Date (as applicable) (or redemption upon an exercise of a notified Call Option) or any other amount agreed between the Parties;
- (b) no Event of Default shall have occurred and be continuing on the date of establishment of the Defeasance Pledge, or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time during any hardening period applicable to the Defeasance Pledge (or the relevant period for non-Norwegian companies) or any other date agreed between the Parties;
- (c) if the Bonds are secured, the Defeasance Pledge shall be considered as a replacement of the Security established prior to the Defeasance Pledge;
- (d) the Issuer shall have delivered to the Bond Trustee a certificate signed by its Chief Executive Officer that the Defeasance Pledge was not made by the Issuer with the intent of preferring the Bondholders over any other creditors of the Issuer or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others; and
- (e) the Issuer shall have delivered to the Bond Trustee any certificate or legal opinion reasonably required by the Bond Trustee regarding the Security and Covenant Defeasance or Defeasance Pledge, including any certificate or legal opinion on (i) the compliance of the conditions of the Security and Covenant Defeasance, (ii) that the Defeasance Pledge constitutes a valid, perfected and enforceable Security in favour of the Bond Trustee for the benefit of the Bondholders which will not be subject to any rights of creditors of the Issuer or any bankruptcy, insolvency, reorganization or similar laws affecting creditors rights generally under the laws of the jurisdiction where the Defeasance Pledge was established and the corporate domicile of the Issuer, (iii) any relevant tax issues concerning the Bondholders, (iv) any valuation of any assets or (vii) any other certificate or opinion regarding the Security and Covenant Defeasance or the Defeasance Pledge.

18.2.2 Upon the exercise by the Issuer of its option under Clause 18.2.1:

- (a) the Issuer shall be released from their obligations under all provisions in Clause 13, except Clauses 13.2.1(a), (e), (f), (g) and (h), or as otherwise agreed;
- (b) the Issuer shall not (and shall ensure that all Group Companies shall not) take any actions that may cause the value of the Security created by this Security and Covenant Defeasance to be reduced, and shall at the request of the Bond Trustee execute, or cause to be executed, such further documentation and perform such other acts as the Bond Trustee may reasonably require in order for the Security to remain valid, enforceable and perfected by the Bond Trustee for the account of the Bondholders;



- (c) any Guarantor(s) shall be discharged from their obligations under the Guarantee(s), and the Guarantee(s) shall cease to have any legal effect, or as otherwise agreed;
- (d) any Security other than the Defeasance Pledge shall be discharged, and the Bond Trustee shall take all steps reasonably possible for it to cause such discharge to be effected, by way of deletion of the relevant security document from the relevant register, notice to third parties or as otherwise required, or as otherwise agreed; and
- (e) all other provisions of this Bond Agreement (except (a) – (c) above) shall remain fully in force without any modifications, or as otherwise agreed.

- 18.2.3 All amounts owed by the Issuer hereunder covered by the Defeasance Pledge shall be applied by the Bond Trustee, in accordance with the provisions of this Bond Agreement, against payment to the Bondholders of all sums due to them under this Bond Agreement on the due date thereof.

Any excess funds not required for the payment of principal, premium and interest to the Bondholders (including any expenses, fees etc. due to the Bond Trustee hereunder) shall be returned to the Issuer.

### 18.3 *Limitation of claims*

All claims under the Bonds and this Bond Agreement for payment, including interest and principal, shall be subject to the time-bar provisions of the Norwegian Limitation Act of May 18, 1979 No. 18.

### 18.4 *Access to information*

- 18.4.1 This Bond Agreement is available to anyone and copies may be obtained from the Bond Trustee or the Issuer. The Bond Trustee shall not have any obligation to distribute any other information to the Bondholders or others than explicitly stated in this Bond Agreement. The Issuer shall ensure that a copy of this Bond Agreement is available to the general public until all the Bonds have been fully discharged.

- 18.4.2 The Bond Trustee shall, in order to carry out its functions and obligations under this Bond Agreement, have access to the Securities Depository for the purposes of reviewing ownership of the Bonds registered in the Securities Depository.

### 18.5 *Amendments*

All amendments of this Bond Agreement shall be made in writing, and shall unless otherwise provided for by this Bond Agreement, only be made with the approval of all parties hereto.

### 18.6 *Notices, contact information*

- 18.6.1 Written notices, warnings, summons etc to the Bondholders made by the Bond Trustee shall be sent via the Securities Depository with a copy to the Issuer and the Exchange. Information to the Bondholders may also be published at Stamdata only. Any such notice or communication shall be deemed to be given or made as follows:

- (a) if by letter via the Securities Depository, when sent from the Securities Depository; and
  - (b) if by publication on Stamdata, when publicly available.
- 18.6.2 The Issuer's written notifications to the Bondholders shall be sent via the Bond Trustee, alternatively through the Securities Depository with a copy to the Bond Trustee and the Exchange.
- 18.6.3 Unless otherwise specifically provided, all notices or other communications under or in connection with this Bond Agreement between the Bond Trustee and the Issuer shall be given or made in writing, by letter, e-mail or fax. Any such notice or communication shall be deemed to be given or made as follows:
  - (a) if by letter, when delivered at the address of the relevant Party;
  - (b) if by e-mail, when received; and
  - (c) if by fax, when received.
- 18.6.4 The Issuer and the Bond Trustee shall ensure that the other party is kept informed of changes in postal address, e-mail address, telephone and fax numbers and contact persons.
- 18.6.5 When determining deadlines set out in this Bond Agreement, the following shall apply (unless otherwise stated):
  - (a) If the deadline is set out in days, the first day when the deadline is in force shall not be inclusive, however, the meeting day or the occurrence the deadline relates to, shall be included.
  - (b) If the deadline is set out in weeks, months or years, the deadline shall end on the day in the last week or the last month which, according to its name or number, corresponds to the first day the deadline is in force. If such day is not a part of an actual month, the deadline shall be the last day of such month.
  - (c) If a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Date.
- 18.7 *Dispute resolution and legal venue*
  - 18.7.1 This Bond Agreement and all disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer, shall be governed by Norwegian law.
  - 18.7.2 All disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer, shall, subject to Clause 18.7.3 below, be exclusively resolved by the courts of Norway, with the District Court of Oslo as sole legal venue.

18.7.3 Clause 18.7.2 is for the benefit of the Bond Trustee only. As a result, the Bond Trustee shall not be prevented from taking proceedings relating to a dispute in any other courts with jurisdiction. To the extent allowed by law, the Bond Trustee may take concurrent proceedings in any number of jurisdictions.

18.8 *Process Agent*

The Issuer shall, prior to the Tranche A Issue Date, nominate a process agent in Norway for the purpose of serving a writ of summons and/or any other act of process in respect of the courts in Norway, or any notices as set out in this Bond Agreement.

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**Attachment 1 Schedule 1**

**COMPLIANCE CERTIFICATE**

~~Norsk-Tillitsmann ASA~~

Nordic Trustee AS

P.O. Box 1470 Vika

N-0116 Oslo

Norway

Fax: + 47 22 87 94 10

E-mail: mail@trustee.no

[date]

Dear Sirs,

**ISLAND OFFSHORE SHIPHOLDING, L.P. TRANCHE A SENIOR UNSECURED  
CALLABLE BOND ISSUE 2013/2018 - ISIN 001 067386.6**

**ISLAND OFFSHORE SHIPHOLDING, L.P. TRANCHE B SENIOR UNSECURED  
CALLABLE BOND ISSUE 2013/2019 - ISIN 001 076050.7**

We refer to the Bond Agreement for the abovementioned Bond Issues made between Nordic Trustee ASA as Bond Trustee on behalf of the Bondholders, and the undersigned as Issuer under which a Compliance Certificate shall be issued. This letter constitutes the Compliance Certificate for the period [PERIOD].

Capitalised terms used herein shall have the same meaning as in this Bond Agreement.

With reference to Clause 13.2.2 we hereby certify that:

1. all information contained herein is true and accurate and there has been no change which would have a Material Adverse Effect on the financial condition of the Issuer since the date of the last accounts or the last Compliance Certificate submitted to you.
2. the covenants set out in Clause 13 are satisfied;
3. in accordance with Clause 13.5
  - (a) the Value Adjusted Equity Ratio as of [date] is [XX]
  - (b) the Liquidity as of [date] is [XX]
  - (c) the Debt Service Coverage Ratio as of [date] is [XX]
  - (d) The Gearing Ratio as of [date] is [XX]

Copies of our latest consolidated [Financial Statements] / [Interim Accounts] are enclosed.

Yours faithfully,

Island Offshore Shipholding, L.P.

By Amnor, L.L.C., its general partner

\_\_\_\_\_  
*Name of authorized person*

Enclosure: [*copy of any written documentation*]



**Attachment 2** **Schedule 2**

**DEFERRED CREDITOR AMENDMENTS**

<b>Date of deferral</b>	<b>Amount deferred</b>
15 June 2016	NOK 25,230,000
24 May 2016	NOK 15,339,135
15 September 2016	NOK 12,615,000
24 November 2016	NOK 15,339,135
15 December 2016	NOK 12,615,000
24 May 2016	NOK 15,339,135
15 March 2017	NOK 12,615,000
15 June 2017	NOK 12,615,000

### Schedule 3 - Operational Earnings Waterfall

Operational Earnings received by the Issuer in relation to each of the Issuer's Vessels shall be applied in the following order of priority towards payment of:

1. Opex related to that Vessel and any other Vessel financed by the same Senior Liabilities;
2. Capex related to that Vessel and any other Vessel financed by the same Senior Liabilities;
3. any costs, expenses, fees, commissions, interest (including default interest) due under the Senior Liabilities referred to in no 1 and 2 above;
4. Opex related to each of the other of the Issuer's Vessels;
5. Capex related to each of the other of the Issuer's Vessels;
6. any costs, expenses, fees, commissions, interest (including default interest) and similar amounts due under any other Senior Liabilities referred to in no 4 and 5 above;
7. any Agreed Fixed Amortization relating to that Vessel and any other Vessel financed by the same Senior Liabilities;
8. any Agreed Fixed Amortization relating to any other of the Issuer's Vessels and any amounts calculated and payable under the F/W Guaranteed Cash Sweep;
9. utilisations due for disbursement (if any) under the IO X Working Capital Facility;
10. interest payments due and payable by the Issuer under the secured Yard Liabilities; and
11. interest payments due under the Bond Agreement and the unsecured Yard Liabilities.

Where for the purpose of this Schedule 3:

"Agreed Fixed Amortization" means such reduced fixed amortizations agreed between the secured Lenders to the Issuer's Vessels and the Issuer for the period 30 June 2017 until 31 December 2020;

"Operational Earnings" means, in relation to any Vessel, the ordinary operational earnings actually received by the owner of that Vessel as a consequence of the Vessel's employment, excluding for the avoidance of doubt:

- (a) any cancellation fee or similar payment payable by a charterer or other operator of a Vessel as a consequence of the termination of a contract of employment if it is stated in the Senior Liabilities financing that Vessel that such cancellation is an event of default or a mandatory prepayment event;
- (b) any insurance proceeds if it is stated in the Senior Liabilities financing that Vessel that such proceeds shall be applied as mandatory prepayment; and

(c) any proceeds from the sale of such Vessel,

and in any such calculation, "Island Frontier" and "Island Wellserver" shall be considered as a single Vessel.

"Issuer's Vessels" means each of the Vessels Island Frontier, Island Wellserver, Island Crown, Island Centurion, Island Clipper and Island Pride.

"Opex" means ordinary operational expenditures related to a Vessel, including lay-up costs where relevant.

"Capex" means capital expenditures related to a Vessel, to the extent that such expenditures are necessary:

- (i) in order to maintain the proper working condition of that Vessel for employment under its relevant contract of employment,
- (ii) to prepare that Vessel for employment under a new contract, or
- (iii) for the purpose of maintaining that Vessel's current class notation,

in each case excluding for the avoidance of doubt any major upgrades or major constructional alterations to the Vessel.

"IO X Working Capital Facility Agreement" means a working capital facility agreement between the Issuer as lender and its fully owned subsidiary Island Offshore X KS ("IO X") as borrower replacing certain guarantee provided by the Issuer to the secured lenders to IO X.

"F/W Guaranteed Cash Sweep" means the undertaking by the Issuer in favour of the secured lenders to the Vessels Island Frontier and Island Wellserver ("F/W Lenders"), that irrespective of any provision of this Bond Agreement or any other agreement or instrument stating anything to the contrary, additional amortization in amounts no less than the following will be made to the F/W Lenders in addition to any applicable Agreed Fixed Amortization, such amounts to be paid to the F/W Lenders:

- (a) NOK 10,000,000 in July 2018;
- (b) NOK 20,000,000 in July 2019; and
- (c) NOK 30,000,000 in July 2020.