

## NORDIC TRUSTEE

---

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

**To the Bondholders in:**

**ISIN NO001 068432.7 - 7.5 PER CENT BASSDRILL ALPHA LTD. SENIOR SECURED CALLABLE BOND ISSUE 2013/2018**

Oslo, 19 May 2017

### **BASSDRILL ALPHA LTD. – ISSUANCE OF SUPER SENIOR BONDS**

Nordic Trustee ASA acts as trustee (the "**Bond Trustee**") for the holders of bonds in the above-mentioned bond issue (the "**Bond Issue**") issued by Bassdrill Alpha Ltd. (the "**Issuer**").

All Capitalized terms used herein shall have the meaning assigned to them in the bond agreement (the "**Bond Agreement**") originally dated 3 July 2013 and amended and restated by the third amendment agreement by and between Issuer and the Bond Trustee, unless otherwise stated herein.

*The information in this notice regarding the legal, operational and financial status of the Issuer is provided by the Issuer. The Trustee expressly disclaims any and all liability whatsoever related to such information given from the Issuer.*

Reference is made to the Written Resolution passed by the Bondholders on 24 October 2016 pursuant to the notice of written resolution dated 19 October 2016 (the "**Notice**"), whereby the proposal set out in the Notice (the "**Proposal**") was adopted according to the voting requirement of the Bond Agreement. In the Written Resolution it was resolved to approve and authorise the implementation of the Proposed Transaction (as defined in the Notice and further described in the transaction term sheet attached thereto), including, without limitation, the issue by the Issuer of unsecured super senior bonds in a maximum aggregate amount equal to USD 10,000,000 (the "**Super Senior Bonds**"), plus the principal amount of any super senior bonds issued to fund the payment of Atlantica Management (USA) Inc.'s management fees. The Super Senior Bonds may be issued in one or more tranches and issued on different dates.

Pursuant to the terms of the Bond Agreement the Issuer has resolved to issue Super Senior Bonds in the amount of up to USD 5,000,000 to fund costs and expenses for the purpose of warm stacking of the Rig and related operating expenditures of the Rig. The terms of the Super Senior Bonds are set out in the term sheet attached to this letter as Appendix 1 (the "**Term Sheet**"). Atlantica BDA Ltd. is obliged to subscribe for USD 0.998 of Super Senior Bonds for each USD 1.00 of Super Senior Bonds subscribed for by the Bondholders, corresponding to up to 2,497,497 Bonds, while the Bondholders are entitled to subscribe for 2,502,503 Bonds. In the event of oversubscription, each subscribing Bondholder will be allocated at least its *pro rata* portion of the 2,502,503 Bonds available for the Bondholders, based on its holding of Bonds at the time of issuance of the Super Senior Bonds.

The Super Senior Bonds will be unsecured. However, the Bond Trustee and Nordic Trustee ASA (in its capacity as the bond trustee for the Super Senior Bonds) will enter into an intercreditor agreement (the "**Intercreditor Agreement**"), which shall provide, inter alia, that any proceeds (including enforcement proceeds) received by the Bond Trustee with respect to the Bonds, or any other amounts payable with respect to the Bonds, shall first be applied in repayment of the Super Senior Bonds until such time they have been paid in full (including all interest accrued thereon). The Intercreditor Agreement will be entered into on terms substantially in the form of agreement attached as Schedule 1 to the Term Sheet.

---

The Bondholders are hereby invited to apply for and purchase Super Senior Bonds. Those Bondholders who wish to apply for Super Senior Bonds must contact Pareto Securities AS as manager for the Super Senior Bond Issue (the "**Manager**") to receive an application form.

The application form must be completed, signed and submitted to the Manager by no later than:

**16:00 hours (CET) on 7 June 2017**

being the 10th business days after the date of this letter (the "**Application Period**"), unless extended at the sole discretion of the Issuer. Information regarding any extension will be published on [www.stamdata.no](http://www.stamdata.no). Minimum subscription amount will be the USD equivalent of EUR 100,000.

All applications must include proof of current holding of Bonds, which must include the identity of the beneficial holder associated with the holding (including amount held per beneficial holder). As the allocation will be based on the current holding of Bonds, application without information on beneficial holders may be discarded without further notice.

Settlement is expected to occur on or about 14 June 2017.

***Contacts***


Requests to receive applications form and any other questions related to the contemplated issuance of Super Senior Bonds can be directed to the Manager:

**Jostein Olsvik Hovind**  
[jostein.olsvik.hovind@paretosec.com](mailto:jostein.olsvik.hovind@paretosec.com)

Any Bondholder that is interested in an update of the current state of affairs of the Issuer, are welcome to contact the Issuer at:

**Kerry Kunz**  
President and CEO of Atlantica Tender Drilling Ltd.  
[kerry.kunz@atlanticatd.com](mailto:kerry.kunz@atlanticatd.com)

Yours sincerely  
**Nordic Trustee ASA**

  
for Vivian Trøsch

Appendix: Term sheet for the Super Senior Bonds

# Term Sheet

## BassDrill Alpha Ltd. 7% Senior Unsecured Open Bond Issue 2017/2019 (the "Super Senior Bonds")

ISIN NO 001 0793276

Issue Date: Expected to be 14 June 2017

<b>Issuer:</b>	BassDrill Alpha Ltd., incorporated under the laws of Bermuda with business registration number 42038.
<b>Parent:</b>	BassDrill Alpha Parent Ltd, an exempted company owned by HoldCo and incorporated in the Cayman Islands with business registration number 312861, being the direct 100% owner of the Issuer.
<b>HoldCo:</b>	BassDrill Alpha Holdings Ltd., an exempted company incorporated in the Cayman Islands with business registration number 312860.
<b>Group:</b>	The Issuer and its Subsidiaries (if any), each a "Group Company".
<b>Guarantor:</b>	The Parent.
<b>Manager:</b>	Pareto Securities AS.
<b>Bond Trustee:</b>	Nordic Trustee ASA.
<b>Bondholders:</b>	The holder of Super Senior Bonds, as registered in the Securities Depository, from time to time.
<b>Currency:</b>	USD.
<b>Initial Issue Amount:</b>	Up to USD 5,000,000.
<b>Maximum Issue Amount:</b>	USD 10,000,000, including the Tap Bonds (if any).
<b>Tap Issue:</b>	The Issuer may, at any time prior to the Maturity Date of the Super Senior Bonds and without the approval of the Bondholders (or any other person) issue a second tranche of super senior bonds in an aggregate principal amount of up to US\$ 5,000,000.
<b>Tap Bonds:</b>	<p>The terms and conditions of the Tap Bonds will be identical to the terms of the initial issuance of the Super Senior Bonds, save for their principal amount, and, following their issuance, the Tap Bonds shall (without limitation to their being a separate tranche) form part of the same issuance of bonds as the Super Senior Bonds for all purposes, including voting, ranking, security and distributions, and all references herein to the Super Senior Bonds shall thereafter be deemed to include the Tap Bonds.</p>

Atlantica BDA Ltd. ("**Atlantica**") is obliged to subscribe for USD 0.998 of Tap Bonds for each USD 1.00 of Super Senior Bonds subscribed for by holders of the Tap Bonds or the Existing Bonds (as defined below). The balance of any Tap Bonds will be offered on a first refusal basis to the holders of the Super Senior Bonds at the time of issuance of the

Tap Bonds. In the event of oversubscription, each subscribing holder of Tap Bonds will be allocated at least its *pro rata* portion of such balance of Tap Bonds, based on its holding of Super Senior Bonds at the time of issuance of Tap Bonds. If the Tap Bonds are not fully subscribed by the holders of the Super Senior Bonds, the holders of the Existing Bonds at the time of issuance of the Tap Bonds will be entitled to subscribe for any remaining balance of Tap Bonds. In the event of oversubscription among the holders of the Existing Bonds, each subscribing holder will be allocated at least its *pro rata* portion of the such remaining balance of Tap Bonds, based on its holding of Existing Bonds at the time of issuance of Tap Bonds.

**Atlantica Super Senior Bonds:** Super Senior Bonds issued to Atlantica Management (USA) Inc. ("**Atlantica Management**") after 30 September 2018 as settlement of the fixed management fee due to Atlantica Management for services rendered pursuant to the management agreement for the technical and commercial management of the Rig dated 27 June 2008 and made between the Issuer and Atlantica Management.

**Issue Date:** Expected to be 14 June 2017. Confirmation of Issue Date to be given to subscribers minimum two Business Days prior to the Issue Date.

**Long Stop Date:** 30 September 2018.

**Maturity Date:** 14 June 2019, two (2) years after the Issue Date.

If at any time prior to the Maturity Date the Issuer issues a Tap Issue in an amount of USD 1,000,000 or more, or the Issuer issues Atlantica Super Senior Bonds, the Issuer will in addition have the option (in its sole discretion) to unilaterally extend the maturity date of the Super Senior Bonds for one (1) additional year, until 14 June 2020, 3 three (3) years after the Issue Date.

**Amortisation:** The Super Senior Bonds shall be repaid in one payment at the Maturity Date (bullet).

**Interest Rate:** 7.00 per cent per annum.

Interest shall be payable as follows:

- (i) if the Rig is subject to and earning hire under a charter contract for offshore services during any Interest Period, an amount equal to the result obtained by multiplying (A) the aggregate interest accrued during such Interest Period; by (B) a fraction, the numerator of which is the number of days on which the Rig is so contracted and earning hire and the denominator of which is 360, shall be payable in cash; and
- (ii) the balance of the interest accrued during such Interest Period shall be payable on a PIK basis through the issuance of additional Super Senior Bonds.

**Interest Payment Date:** Annually on each anniversary of the Issue Date and on the Maturity Date, being 14 June 2018 and 14 June 2019, and provided an extension of the Maturity Date as described above, 14 June 2020. Day-count fraction for the coupon is 30/360, business day convention is "unadjusted" and business day as determined in Oslo and New York.

**Interest Periods:** Means, subject to adjustment in accordance with the Business Day Convention, the period

between each Interest Payment Date, provided however that an Interest Period shall not extend beyond the Maturity Date.

- Default interest:** Interest Rate plus 3% p.a.
- Price:** 100% of the Initial Nominal Amount.
- Initial Nominal Amount:** Each Bond will have an Initial Nominal Amount of USD 1.00.
- Minimum Investment:** The minimum permissible investment in the Super Senior Bonds is the USD equivalent of EUR 100,000.
- Use of proceeds:** The Issuer will use the net proceeds (net of costs and expenses) to fund costs and expenses for the purpose of warm stacking of the Rig and related operating expenditures of the Rig
- Status of the Bonds:** The Super Senior Bonds will constitute senior debt obligations of the Issuer.

The Super Senior Bonds shall be unsecured. However, pursuant to the Intercreditor Agreement any proceeds (including enforcement proceeds) received by the bond trustee for the Existing Bonds with respect to the Existing Bonds, or any other amounts payable with respect to the Existing Bonds, shall be first applied in repayment of the Super Senior Bonds until such time as they have been paid in full (including all interest accrued thereon).

The Super Senior Bonds will rank *pari passu* with each other and at least *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).

**Intercreditor Agreement:**

The intercreditor agreement to be entered into between the bond trustee for the Existing Bonds, Nordic Trustee ASA as security agent under the security documents securing the Existing Bonds (the "**Security Agent**") and the Bond Trustee setting out, inter alia, the ranking and priority between the Existing Bonds and the Super Senior Bonds.

On (I) completion of sale of any assets, either by forced auction or private treaty, (II) receipt of insurance proceeds in respect of any assets, or (III) the sale, transfer or disposal of any other assets subject to the security documents, all proceeds received or recovered by the Security Agent or its nominee (in its capacity as such) in connection with the realisation and enforcement of the security documents shall be applied as follows and in the order mentioned:

- (i) firstly; against reimbursement of all costs and expenses whatsoever incurred by the Security Agent in or about and incidental to the sale;
- (ii) secondly; in or towards satisfaction of all prior claims (being any claims, liabilities or debts owed or taking priority in respect of such proceeds over the security constituted by the security documents secured on the relevant asset);
- (iii) thirdly; in or towards payment to the Bond Trustee for application towards the obligations under the Super Senior Bonds;
- (iv) fourthly; in or towards payment to the bond trustee for the Existing Bonds for application towards the secured obligations under the Existing Bonds; and

- (v) fifthly; the balance, if any, shall be paid to the relevant obligor pursuant to the security documents.

The Intercreditor Agreement shall further provide that instructions with respect to the enforcement of security for the Existing Bonds shall rest with the bond trustee for the Existing Bonds for the first 120 days after any event of default under the Existing Bonds or the Super Senior Bonds (whichever occurs first), to the extent that events of default under both bonds have not been cured or waived. If within (i) 120 days after the occurrence of any event of default under the Existing Bonds or the Bonds (whichever is first) no substantive action has been taken by the bond trustee for the Existing Bonds with respect to an enforcement over the Rig or (ii) within 6 months after the occurrence of an event of default under the Super Senior Bonds, the Bonds have not been redeemed in full, the right to instruct the bond trustee for the Existing Bonds with respect to any enforcement action will pass to the Bond Trustee.

In addition, following an event of default under the Super Senior Bonds, the holders of the Existing Bonds shall have the right within 180 days to buy out (or cause the Issuer to refinance) the Super Senior Bonds at par plus accrued interest.

The Intercreditor Agreement will contain customary provisions regarding, inter alia, turnover of proceeds, limitations on variations of the Finance Documents and the finance documents for the Existing Bonds and the Security Agent's role, responsibilities and liability.

<b>Existing Bonds:</b>	Bonds issued in the "7.5 per cent BassDrill Alpha Ltd. Senior Secured Callable Bond Issue 2013/2018" with ISIN NO001 0684327.
<b>Listing:</b>	The Super Senior Bonds will not be listed on any exchange.
<b>Finance Documents</b>	The Bond Terms, the Bond Trustee Agreement, the Intercreditor Agreement and any other document designated by the Issuer and the Bond Trustee as a Finance Document.
<b>Disbursement:</b>	<p>The Super Senior Bonds may be issued between the Issue Date and the Long Stop Date if at any time the unrestricted free cash (i.e. including any amounts held on the Reserve Account) is USD 1,250,000 or less, or in the event that any expected rig reactivation costs exceed the unrestricted free cash available less USD 1,250,000.</p> <p>The net proceeds of subscription of the Super Senior Bonds (excluding any Atlantica Super Senior Bonds) will be paid directly to the escrow account that has been established in connection with the Existing Bonds (the "<b>Escrow Account</b>"). Each withdrawal of (and release of) any funds from the Escrow Account shall be subject to customary drawdown conditions regarding use of the funds.</p> <p>For the avoidance of doubt, the Atlantica Super Senior Bonds may be issued after the Long Stop Date.</p>
<b>Reserve Account:</b>	Means an account in the name of the Issuer held with DNB Bank ASA or with any first class international bank acceptable to the bond trustee for the Existing Bonds, pledged but not blocked (other than after an event of default has occurred and is continuing) on first priority as security for the Issuer's obligations under the finance documents relating to the

	Existing Bonds.
<b>Mandatory Prepayment:</b>	Same terms as the Existing Bonds.
<b>Representations and Warranties:</b>	Same terms as the Existing Bonds
<b>Voluntary early redemption - Call Option:</b>	The Super Senior Bonds are redeemable at par at any time prior to the Maturity Date.
<b>Put Option:</b>	Same terms as the Existing Bonds.
<b>Change of Control Event:</b>	Same terms as the Existing Bonds.
<b>Information Undertakings:</b>	Same terms as the Existing Bonds.
<b>General Undertakings:</b>	Same terms as the Existing Bonds.
<b>Financial Covenants:</b>	Same terms as the Existing Bonds.
<b>Cash Sweep:</b>	<p>The Issuer will, within 10 business days after the issuance of each set of Interim Accounts apply Unrestricted Excess Cash exceeding USD 3,000,000 as shown by those Interim Accounts, towards mandatory repayment of the Super Senior Bonds at 100% of par value plus accrued but unsettled interest on the redeemed amount (to first be applied against accrued interest and then principal).</p> <p>"Unrestricted Excess Cash" means any amount of cash available to the Issuer and not subject to the restrictions pursuant to the bond agreement for the Existing Bonds (which for the avoidance of doubt shall exclude any amounts of the Issuer's cash held on the Reserve Account and the Escrow Account, but for these purposes including any cash of the Parent).</p> <p>The Bond Trustee and the Bondholders shall be notified by the Issuer in writing at least five (5) business days prior to the settlement date of any such Cash Sweep. On the settlement date of a Cash Sweep, the Issuer shall pay to each of the Bondholders holding Super Senior Bonds to be redeemed, in respect of each such Bond, by applying the Unrestricted Excess Cash as follows;</p> <p>(i) <u>firstly any unsettled/ unpaid interest accrued up to the settlement date of the Cash Sweep; and</u></p> <p>(ii) <u>secondly the principal amount of such Bond.</u></p>
<b>Interim Accounts:</b>	Means the unaudited unconsolidated and consolidated semi-annual financial statements of the Issuer for any semi-annual period ending on the Quarter Dates 30 June and 31 December of each year, drawn up according to GAAP.
<b>Quarter Date:</b>	Means each 31 March, 30 June, 30 September and 31 December.
<b>Event of Defaults:</b>	Same terms as the Existing Bonds, provided that the Super Senior Bonds shall contain a cross default in relation to the Existing Bonds, and subject to a threshold of NOK 10 million in total, or the equivalent thereof in other currencies.
<b>Bond Terms:</b>	Same terms as the Existing Bonds with logical amendments to reflect the terms set out in

this Term Sheet.

**Paying Agent:**

DNB Bank ASA

**Securities Depository:**

The Super Senior Bonds will be registered in VPS ASA (the "CSD").

**Approvals:**

The issuance of the Super Senior Bonds shall be subject to approval by the board of directors of the Issuer, as well as any other approvals as may be required by applicable company law.

**Allocation:**

Atlantica will be obliged to purchase USD 0.998 of Super Senior Bonds (and, as applicable, Tap Bonds) for each USD 1.00 of Super Senior Bonds (and, as applicable, Tap Bonds) purchased by the holders of the Existing Bonds, provided that the aggregate principal nominal amount of the Super Senior Bonds may not exceed USD 5,000,000 (or, in the case of a Tap Issuance, the Maximum Issue Amount in total). Holders of the Existing Bonds will be entitled to subscribe for the balance of the Super Senior Bonds at least *pro rata* to their holding of Existing Bonds at the time of issuance of the Super Senior Bonds.

Subject always to the Maximum Issue Amount, to the extent that the Issuer wishes to issue Super Senior Bonds (or, as applicable, Tap Bonds) towards funding the reactivation of the Rig, and holders of the Existing Bonds do not elect to subscribe for an amount of Super Senior Bonds (or, as applicable, Tap Bonds) which (when added to the Super Senior Bonds/Tap Bonds subscribed for by Atlantica in accordance with its obligation above, and Super Senior Bonds/Tap Bonds (if any) subscribed for by third party buyers) are sufficient to fully fund such reactivation, Atlantica shall be entitled (but not obliged) to subscribe for additional Super Senior Bonds (and, as applicable, Tap Bonds) to meet the shortfall required to fully fund such reactivation.

**Repurchase of Super Senior Bonds:**

The Issuer may purchase and hold Super Senior Bonds and such Super Senior Bonds may be retained, sold or cancelled in the Issuer's sole discretion.

**Terms of subscription:**

Any subscriber of the Super Senior Bonds specifically authorises the Bond Trustee to execute and deliver the Bond Terms on behalf of the prospective Bondholder, who will execute and deliver relevant application forms prior to receiving Super Senior Bond allotments. On this basis, the Issuer and the Bond Trustee will execute and deliver the Bond Terms and the latter's execution and delivery is on behalf of all of the subscribers, such that they thereby will become bound by the Bond Terms. The Bond Terms specify that by virtue of being registered as a Bondholder (directly or indirectly) with the Securities Depository, the Bondholders are bound by the terms of the Bond Terms and any other Finance Document, without any further action required to be taken or formalities to be complied with.

The Bond Terms shall be made available to the general public for inspection purposes and may, until redemption in full of the Super Senior Bonds, be obtained on request to the Bond Trustee or the Issuer.

**Subscription Restrictions:**

The Super Senior Bonds will only be offered or sold within the United States to Qualified Institutional Buyers ("QIBs") as defined in Rule 144A under the U.S. Securities Act.

The Super Senior Bonds have not and will not be registered under the U.S. Securities Act,



or any state securities law except pursuant to an exemption from the registration requirements of the U.S. Securities Act and appropriate exemptions under the laws of any other jurisdiction. The Super Senior Bonds may not be offered or sold within the United States to, or for the account or benefit of, any U.S. Person (as such terms are defined in regulations), except pursuant to an exemption from the registration requirements of the U.S. Securities Act. See further details in the Application Form. Failure to comply with these restrictions may constitute a violation of applicable securities legislation.

**Transfer Restrictions:**

The Super Senior Bonds are freely transferable and may be pledged, subject to the following:

- (i) Bondholders may be subject to purchase or transfer restrictions with regard to the Super Senior 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 local laws and regulations applicable at own cost and expense.
- (ii) Notwithstanding the above, a Bondholder which has purchased the Super Senior Bonds in contradiction to mandatory restrictions applicable may nevertheless utilize its voting rights under the Bond Terms provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.

**Governing Law:**

Norwegian law. Process Agent to be appointed if the Issuer is from a non-Lugano Convention jurisdiction and/or only to the extent required by the Bond Trustee (in its discretion).

19 May 2017

**Bassdrill Alpha Ltd.**

As Issuer