

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

To the bondholders in:

ISIN NO 001 068383.2 8.875 per cent Latina Offshore Limited Senior Secured Callable Bond
Issue 2013/2018

Oslo, 10 October 2016

Notice of a Written Bondholders' Resolution

Nordic Trustee ASA (the "**Bond Trustee**") acts as trustee for the bondholders (the "**Bondholders**") in the above mentioned bond issue (the "**Bonds**" or the "**Bond Issue**") issued by Latina Offshore Limited as issuer (the "**Company**" or the "**Issuer**").

Capitalised terms used herein shall have the meaning assigned to them in the bond agreement originally entered into on 3 July 2013, as amended on 11 October 2013 and 5 September 2016 (the "**Bond Agreement**"), unless otherwise stated.

The Issuer has requested that the Bond Trustee issue this request for a written Bondholders' resolution pursuant to Clause 16.5 (Written Resolution) of the Bond Agreement to consider approval of the Proposed Resolution (as defined below).

The information in this notice regarding the Issuer and the described transactions is provided by the Issuer, and the Bond Trustee expressly disclaims all liability whatsoever related to such information.

1 BACKGROUND

The Issuer has been in discussions for some time with an 'ad hoc' committee of Bondholders with respect to potential amendments to the Bond Agreement, in light of the Issuer's financial position and current cash flows.

The discussions have been constructive, and in light of this the Issuer is proposing the amendments to the Bond Agreement as are set out in the term sheet included hereto as Schedule 2 (such amendments the "**Bond Amendments**").

2 PROPOSED RESOLUTION

Based on the above, the Issuer hereby proposes the following (the "**Proposed Resolution**"):

"The Bond Amendments are hereby approved. The Bond Trustee is hereby authorised and instructed to prepare, approve, finalise and enter into and execute and/or agree to such documentation necessary or advisable, including appropriate amendment and restatement agreement and amended Bond Agreement, amendments to any Finance Documents and/or Project Documents and to take such steps as are required, in each case in the absolute discretion of the Bond Trustee, in order to give effect to the Bond Amendments (including any logical or consequential amendments), such authorisations and instructions

to take effect as a Written Resolution. In case the terms and conditions set out in the Bond Amendments should be inadequate to determine corresponding amendments to the Bond Agreement and other relevant documents, the Bond Trustee shall be authorised to rely on instructions from the ad hoc committee of bondholders in consultation with its advisors in order to prepare and enter and/or agree into such amendments”

3 FURTHER INFORMATION

The Issuer has appointed Clarksons Platou Securities AS (the "**Advisor**") as advisor in connection with the Proposed Resolution. For further questions to the Advisor, please contact Jørn Ringheim at jr@clarksons.com or +47 22 01 63 00.

For further questions to the Bond Trustee, please contact Morten S. Bredesen at mail@nordictrustee.com or + 47 22 87 94 00.

4 EVALUATION OF THE PROPOSED RESOLUTION

The Proposed Resolution is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee. Nothing herein shall constitute a recommendation to the Bondholders by any of the Bond Trustee, the Parent or the Issuer or any of their respective advisors. The Bondholders must independently evaluate whether the Proposed Resolution is acceptable and vote accordingly.

Bondholders representing more than 2/3 of the Outstanding Bonds have stated that they will vote in favour of the Proposed Resolution.

5 WRITTEN BONDHOLDERS' RESOLUTION

Bondholders are hereby provided with a voting request for a Written Resolution pursuant to Clause 16.5 of the Bond Agreement. For the avoidance of doubt, no Bondholders' Meeting will be held.

For a vote to be valid, the Bond Trustee must have received it by post, courier or email to the address indicated in the enclosed form at Schedule 1 (the "**Voting Form**") no later than 14 October 2016 at 13.00 hours (Oslo time) (the "**Voting Deadline**").

Notwithstanding the Voting Deadline, and subject to the provisions of Clause 16.5.6 of the Bond Agreement, the Proposed Resolution will become effective automatically upon receipt of affirmative votes by or on behalf of the Bondholders who at the date of this notice represent such majority of votes as would be required if the Proposed Resolution was voted on at a Bondholders' Meeting (which, for the avoidance of doubt, is 2/3 of the Voting Bonds pursuant to Clause 16.3.5 of the Bond Agreement) at which all Bondholders entitled to attend and vote thereat were present and voting.

Yours sincerely
Nordic Trustee ASA



Morten S. Bredesen

Enclosed:

- Schedule 1: Voting Form
- Schedule 2: Bond Amendments Term Sheet

Schedule 1

Voting Form

ISIN NO 001 068383.2

8.875 per cent Latina Offshore Limited Senior Secured Callable Bond Issue
2013/2018

The undersigned holder or authorised person/entity, votes in the following manner:

1. The Proposed Resolution as defined in the Notice for a Written Bondholders' Resolution dated 10 October 2016:

☐ **In favour** of the Proposed Resolution

☐ **Against** of the Proposed Resolution

ISIN ISIN NO 001 068383.2	Amount of bonds owned
Custodian name	Account number at Custodian
Company	Day time telephone number
	Email

Enclosed to this proxy is the complete printout from our custodian/VPS,¹ verifying our bondholding in the bond issue as of _____, which also is our bondholding as the date hereof.

We acknowledge that Nordic Trustee ASA in relation to the Bondholders' meeting for verification purposes may obtain information regarding our holding of bonds on the above stated account in the securities register VPS.

.....
Place, date

.....
Signature

Return:

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

Telefax: +47 22 87 94 10
Tel: +47 22 87 94 00
mailto: mail@nordictrustee.com

¹ If the bonds are held in custody other than in the VPS, an evidence provided from the custodian – confirming that (i) you are the owner of the bonds, (ii) in which account number the bonds are hold, and (iii) the amount of bonds owned.

Term Sheet

Latina Offshore Limited Senior Secured Callable Bond Issue 2013/2018

*This term sheet (the "**Term Sheet**") sets out the terms for certain amendments to the 8.875 per cent Latina Offshore Limited Senior Secured Callable Bond Issue 2013/2018 (the "**Bond Issue**") by Latina Offshore Limited (the "**Issuer**") as proposed by the Issuer and the Parent and which is requested approved by the Bondholders through a Written Resolution pursuant to the bond agreement for the Bond Issue, last amended on 5 September 2016 (the "**Bond Agreement**").*

Capitalised terms not defined herein shall have the meaning set forth in the Bond Agreement.

Interest retention and deferral	<p>Clause 13.2.17 of the Bond Agreement shall be amended to reflect that the Issuer shall be obligated to fund the Interest Retention Account only through and subject to the Cash Flow Sweep (as defined below), both with respect to payment of the Deferred Interest Amount and subsequent ordinary interest payments.</p> <p>On the Interest Payment Date in January 2017, 50% of the interest due on such date shall be payable and the remaining 50% payable as part of and subject to the Cash Flow Sweep (or latest on Maturity) (any interest deferred and not paid on this Interest Payment Date, the "Deferred Interest Amount").</p> <p>For the avoidance of doubt, no amendments are made to the interests due on subsequent Interest Payment Dates.</p>
Amortisation deferrals	<p>Clause 10.1.1 of the Bond Agreement shall be amended to reflect a deferral of instalments due in September 2016, January 2017 and July 2017, equaling a total deferral of USD 40 million (the "Deferred Amortization"), with the next instalment payment of USD 15 million falling due in January 2018.</p> <p>The Deferred Amortization shall be repaid through the Cash Flow Sweep after the Deferred Interest Amount has been fully repaid and the full Retained Amount having being paid into the Minimum Liquidity Account (as defined below). Any part of the Deferred Amortization which is not paid pursuant to the Cash Flow Sweep shall be paid on the Maturity Date.</p> <p>The instalment due in September 2016 which has been separated from the Bonds will technically be added back to the principal.</p>
Minimum Liquidity Account	<p>Clause 13.6.1 of the Bond Agreement shall be amended to reflect that the Retained Amount (as per Clause 13.6.1 (i)) and the requirement to maintain Liquidity (as per Clause 16.6.1 (ii)) shall be increased from USD 5 million to USD 10 million, through the Cash Flow Sweep after the Deferred Interest Amount is fully repaid. The Retained Amount shall be deposited into and be held on the Minimum Liquidity Account.</p> <p>The current Retained Amount shall by 30 September 2016 be deposited</p>

	into the Escrow Account of Latina Offshore (account number 1250.05.05271) (to be renamed the Minimum Liquidity Account) (the " Minimum Liquidity Account ") which shall continue to be pledged and blocked in favor of the Bond Trustee and the Bondholders.
Call option	Clause 10.2 of the Bond Agreement shall be amended to reflect that the Issuer may redeem the Bonds (all or nothing) at par value plus accrued unpaid interest. Exercise of the Call Option shall be notified by the Issuer at least 10 Business Days prior to its settlement.
New Equity	The Parent shall transfer an amount of USD 7,540,625 (the " New Equity ") (being an amount of USD 12 million less a total amount of USD 4,459,375 contributed by the shareholders of the Parent and used for payment of suppliers, taxes, salaries, IT and SG&A in relation to the Rigs during September 2016 (such contribution the " September Contribution ")) into an account of the Parent which is pledged (but not blocked) in favour of the Bond Trustee (the " New Equity Account "). The Parent may make withdrawals from the New Equity Account on a monthly basis in order to cover payment of Operating Expenses, SG&A and Capital Expenses according to Budget and documented factoring costs and Taxes of the Parent or the Issuer and/or Rig Owners. In case the New Equity is to be used to cover such costs of the Issuer and/or Rig Owners the relevant funds shall be provided from the Parent to the Issuer and in turn from the Issuer to the Rig Owners by way of Subordinated Loans.
Distributions	Clause 13.2.16 of the Bond Agreement shall be amended to reflect that the Issuer shall not declare or make any dividends or other distributions of any kind, until the Bond Issue has been repaid in full.
Amendments to bareboat charters	The Bareboat Charters shall, to the extent possible, be sought to be amended to avoid a continuing default (for example by implementing a flow-through payment structure upon receipt of payment under the Charter Contracts reflecting the Cash Flow Sweep and Excess Cash Flow). Any change shall be subject to further discussion and tax analysis, and any change shall be subject to the reasonable satisfaction of the Bond Trustee, the Parent and the Issuer.
Cash Flow Sweep	<p>A cash sweep mechanism (the "Cash Flow Sweep") shall be included in the Bond Agreement, whereby 100% of the Excess Cash Flow (as defined below) calculated on a monthly basis and documented to the satisfaction of the Bond Trustee shall be utilized in the following order as soon as reasonably possible following receipt of any revenues or factoring proceeds from the Charter Contracts:</p> <ol style="list-style-type: none"> 1. Up until the Interest Payment Date in January 2017, fund 3/6th of January 2017 interest payment into Interest Retention Account 2. Pay Deferred Interest Amount 3. Build-up of Retained Amount to USD 10 million 4. Pay Deferred Amortization <p>By "Excess Cash Flow" is understood to be any revenues or factoring proceeds from the Charter Contracts less the following monthly</p>

expenses:

1. Operating Expenses of the Parent, Issuer and/or Rig Owners according to Budget (or, where lower, the actual number)
2. SG&A of the Parent, Issuer and/or Rig Owners according to Budget (or, where lower, the actual number)
3. Capital Expenditures of the Parent, Issuer and/or Rig Owners according to Budget (or, where lower, the actual number)
4. Taxes (paid or accrued)
5. Factoring costs related to the Charter Contracts
6. Following payment of scheduled interest in January 2017, 1/6th of next interest payment into the Interest Retention Account
7. From August 2017, appropriation for 1/6th of the next scheduled instalments

For the avoidance of doubt, in case revenues or factoring proceeds from the Charter Contracts are not received on a monthly basis the calculation of Excess Cash Flow shall take into account deferred expenses from previous months. With respect to factoring, this shall be with reputable international or local banks or similar financial institutions on market terms.

By "**Budget**" is understood to be a budget agreed between the Issuer and the Bond Trustee, and which for Operating Expenses shall be equal to USD 810,000 per Rig per month (equal to USD 27,000 per Rig per day), for SG&A be USD 225,000 per Rig per month (equal to USD 7,500 per Rig per day), for maintenance and repair Capital Expenditures be USD 2 million per Rig per year (equal to approximately USD 5,500 per Rig per day), in each case plus a 10% margin.

Clause 13.5.1 to Clause 13.5.3 of the Bond Agreement, the provisions related to Accounts, Bareboat Charters and Intercompany Loans and any other terms of the Finance Documents or Project Documents as required shall be amended to reflect the Cash Flow Sweep and Excess Cash Flow. Clause 13.5.4 and Clause 13.5.5 of the Bond Agreement shall be deleted.

The Issuer shall report the calculation of the Excess Cash Flow and application thereof to Bondholders on a monthly basis and maintain a report containing historical and accrued amounts in relation to the Cash Flow Sweep.

OPEX release	Upon a Written Resolution passing approval of this Term Sheet, the Bond Trustee shall immediately release an amount equal to USD 3,663,483 from the Parent Earnings Account to the Parent to directly or indirectly pay accrued operating expenses of the Parent, the Issuer, Rig 1 Owner and/or Rig 2 Owner in relation to the Rigs.
Other terms of the Bond Issue	Other than as set out herein, together with any logical or consequential amendments, the Bond Agreement, Finance Documents and Project Documents shall remain unchanged.

<p>Conditions</p>	<p>The effectiveness of the amendments set out herein shall be subject to:</p> <ul style="list-style-type: none"> - Due approval by the Bondholders of this Term Sheet through a Written Resolution - Evidence of the September Contribution having been contributed and employed as set out under New Equity above. - No Event of Default having occurred or continuing (other than any default which will be cured through the amendments set out herein). - Evidence that the Bareboat Charter Amendments have been made. - Finalization of appropriate amendment agreement(s) satisfactory to the Bond Trustee. - Other customary conditions precedent as reasonably requested by the Bond Trustee, including legal opinion(s) and security confirmation. <p>As a condition subsequent, the Parent and the Issuer shall evidence no later than 4 November 2016 that the New Equity has been transferred to and deposited in the New Equity Account.</p>
--------------------------	---