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To the bondholders in:

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

ISIN: NO0010769557 - Nor Offshore SPV, Ltd. 16/20 8,40% USD

Oslo, 12 August 2016

Notice to Bondholders – information regarding on-going recovery process

Nordic Trustee ASA (the **“Bond Trustee”**) acts as bond trustee for the bond issues Harkand Finance Inc. Senior Secured Callable Bond Issue 2014/2019 (the **“Original Bonds”**) and Nor Offshore SPV, Ltd. 16/20 8,40% USD (the **“Recovery Bonds”** and holder of the Recovery Bonds referred to as **“Recovery Bondholders”**).

1. BACKGROUND

In accordance with decisions by the Bondholders’ Meetings for the Original Bonds contemplated by - and proposed in - the Summons to the Bondholders’ Meeting on 27 April 2016 and 9 May 2016, the Bond Trustee initiated reallocation of the vessels Harkand Atlantis and Harkand Da Vinici (the **“Vessels”**) to Gibraltar for the commencement of a judicial sale process.

In accordance with the decisions by the Bondholders’ Meeting, a newly incorporated special vehicle in the Cayman Islands, wholly owned by a subsidiary of the foundation/trust (Norwegian: *stiftelse*) Stiftelsen NT Refectio was established for the purpose of acquiring the Vessels in the judicial sale process and issue the Recovery Bonds to settle the Original Bonds.

2. ISSUANCE OF RECOVERY BONDS AND TRANSFER OF TITLE TO THE VESSELS

In accordance with the decisions by the Bondholders’ Meeting, on 3-4 August 2016 the following events took place:

- The Recovery Bonds in the aggregate amount of USD 249,552,788, were issued and the Original Bonds were transferred to Nor Offshore SPV, Ltd. (the **“SPV”** and the issuer of the Recovery Bonds).

- The Admiralty Marshal of the Supreme Court of Gibraltar issued a Bill of Sale and Protocol of Delivery for the vessels Harkand Atlantis and Harkand Da Vinci (the “Vessels”) and title to the Vessels were transferred to Nor Offshore Atlantis SPV, Ltd. and Nor Offshore Da Vinci SPV, Ltd., fully owned subsidiaries of the SPV.
- The Vessels were renamed to NOR Atlantis and NOR Da Vinci and registered in the Marshall Islands Ship Registry.
- Remaining cash standing on accounts of Harkand Finance Inc, pledged and blocked in favour of Nordic Trustee ASA for the benefit of the Bondholders under the Original Bonds, was transferred to the SPV.
- The Original Bonds were written down/settled with an amount of approximately USD 120,923,847.00, equal to the transfer price for the Vessels, together with remaining cash held on accounts by Harkand Finance, pledged and blocked in favour of Nordic Trustee ASA.

The issuance of Recovery Bonds settled in full any obligations towards the Recovery Bondholders in respect of the Original Bonds. The Original Bonds will be held by the SPV, as a potential source of recovery, indirectly for the benefit of the Bondholders, and may at the Bond Trustee’s and the SPV’s discretion be written down, depending on available sources of recovery.

3. OPERATION AND STATUS OF THE VESSELS

The Vessel Nor Da Vinci recently completed its special survey in Gibraltar, drydocking at GibDock in July. The special survey was supervised by Anglo-Eastern, with TSG Marine providing oversight on work done with relation to the dive systems.

Anglo-Eastern will continue as technical manager of marine operations of the Vessels and TSG Marine continues as a technical advisor for the Vessels’ dive systems

The Vessels continue to be marketed commercially, with several short- and long-term chartering options being considered.

4. SPV – OWNERSHIP STRUCTURE AND CORPORATE GOVERNANCE

The shares in the SPV are held by Stiftelsen NT Refectio on behalf of the Bondholders. The Vessel owning companies, Nor Offshore Atlantis SPV, Ltd. and Nor Offshore Da Vinci SPV, Ltd., are fully owned subsidiaries of the SPV.

Stiftelsen NT Refectio is a non-profit foundation established by the Nordic Trustee ASA for the purpose of acquiring assets in connection with the management of bond loans and acting in the interest of bondholders. Stiftelsen NT Refectio and its subsidiary holding the shares in the SPV, have entered into an agreement (the “**Management Agreement**”) with the Bond Trustee in its capacity as trustee for the Recovery Bonds, whereby the exercise of any shareholder right’s in the SPV shall take place in accordance with the interest of the Recovery Bondholders. Any decision required by the general meeting of the SPV will be subject to a decision by the Bondholder’s Meeting, where Nordic Trustee ASA in accordance with the decision and the Management Agreement will instruct Stiftelsen NT Refectio, and its subsidiary, to exercise its voting rights in the SPV accordingly.

The governance of the SPV will be tailored to ensure that holders of the Recovery Bonds are kept appraised of the performance of the Vessels and their owner, and to safeguard the interest of the Recovery Bondholders, including delegation of certain of the directors’ functions relating to management of the SPV and interaction with the Recovery Bondholders to an appointed advisory or management entity. The SPV is likely to appoint a third director who will provide regular oversight to the appointed management entity.

Yours sincerely
Nordic Trustee ASA



Vivian Trøsch