

# NORSK TILLITSMANN

NORWEGIAN TRUSTEE

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**To the bondholders in:**

- **ISIN NO 001 064082.4. - 9,25 % OSX 3 Leasing B.V Senior Secured Callable Bond Issue 2012/2015**

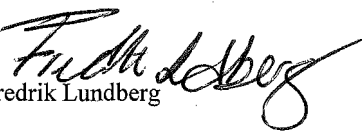
Oslo, 22 October 2013

**File Note – Meeting between OSX3 Bondholders and OSX**

Please find attached summary of meeting with the Issuer. Norsk Tillitsmann ASA assumes no responsibility of its content.

Yours sincerely

**Norsk Tillitsmann ASA**

  
Fredrik Lundberg

Enclosed: - File Note

# File Note

DATE: October 21, 2013

TO: The holders of the 9.25% OSX 3 Leasing B.V. Senior Secured Callable Bond Issue 2012/2015 (the "**Bondholders**")

FROM: Norsk Tillitsmann ASA (in its capacity as trustee)

RE: **File Note - Meeting between OSX3 Bondholders and OSX**

## 1. INTRODUCTION

- 1.1 This file note serves to summarise the discussions of certain matters (to the extent they may not already be public) at a meeting held in New York on 16 October 2013 at 2:00 p.m. local time between representatives of the OSX group ("**OSX**") and its advisers, Norsk Tillitsmann ASA (the "**Trustee**"), certain Bondholders, and their respective advisers. Some of the points below are based on matters presented by OSX, and some are based on questions put to OSX and its advisers during the meeting.
- 1.2 It was agreed prior to the meeting between all participants including OSX and their advisers that the Trustee could and would prepare this file note of the meeting and post this on [www.stamdata.no](http://www.stamdata.no) so that key matters discussed at the meeting would be available to all bondholders, and generally. This summary has not been reviewed by OSX and should not be used as the basis of any decision to be made by the Bondholders or any other person. The Trustee would expect OSX to clarify any issues which would follow from this summary.
- 1.3 OSX is seeking a consensual approach with creditors with aim of maximizing value to all stake holders. As such, OSX had requested the meeting to engage in a dialogue with the Bondholders as it was also engaging in dialogue with the bank creditors of OSX 1 Leasing B.V. ("**OSX1**") and OSX 2 Leasing B.V. ("**OSX2**").
- 1.4 Capitalized terms not defined herein shall have the meanings set forth in the Bond Agreement or in the Private Placement Memorandum.

## 2. SUMMARY OF COMPANY PRESENTATION AND DISCUSSIONS WITH BONDHOLDERS

- 2.1 OSX believes that, working together with its three groups of lenders to the leasing business, there is likely in excess of US\$1bn of value in excess of secured debt in the OSX 1, OSX 2 and OSX 3 vessels.

## 2.2 Current Situation of the FPSOs

### (a) FPSO OSX-3

- (i) The FPSO is completed and is installed at the Field. It is connected to the mooring lines, and the mooring system is tensioned to design parameters.
- (ii) The FPSO's commissioning systems and start-up activities necessary for first oil are currently underway and the Provisional Completion is expected to be concluded by end of October 2013.
- (iii) Most of the installation costs are included within the price of the EPCI contract with Modec. There is approximately US\$19 million outstanding under this contract, to be paid in two installments (US\$11 million by end 2013 and US\$8 million by August 2014).
- (iv) OSX obtained a valuation of the FPSO from Kennedy Marr earlier this year, which indicates an open market charter free value of the FPSO in the range of US\$1,150-1,170 million. This assumes redeployment of the FPSO to similar waters in Brazil, Gulf of Mexico or West Africa with only minor structural changes. There would be a discount to that value of US\$150-200m if more changes amendments to the FPSO were required due to field requirements.

### (b) FPSO OSX2

- (i) There is a standstill and joint sale process agreement in place with the OSX 2 banks for the sale of the FPSO OSX2. It has been on the market for 45 days. The sales process is being run jointly by Pareto, as the broker chosen by the OSX2 bank creditors, and Credit Suisse. The goal for the sale of the OSX2 vessel is to obtain a firm letter of intent by December 2013 and to close the sale in March 2014.
- (ii) As part of the arrangement with the OSX2 banks, OSX2 paid down US\$200 million of the bank debt using existing cash collateral. US\$437 million of the debt remains outstanding on the OSX2 vessel. There was a further US\$50 million of cash collateral remaining, which will be used to meet the lay-up costs for the OSX2 vessel pending its sale.

- (iii) There is currently US\$110 million outstanding at the OSX2 holding company to ITAÚ (unsecured).
- (c) FPSO OSX1
  - (i) FPSO OSX1 is currently operating until 2014 and the plan is to sell FPSO OSX 1 after FPSO OSX 2 has been sold.

### 2.3 Contingency Plan

OSX has to prepare for the possibility that OGX may file in the near future for (*Recuperação Judicial* or “**RJ**”) in Brazil, given OGX’s current financial situation.

- (a) OSX has no transparency on the likelihood of an RJ filing occurring, and is not providing any assessment thereof.
- (b) OSX would retain separate counsel to advise it in relation to an RJ proceeding at OGX.
- (c) If OGX enters into formal insolvency proceedings and the Bondholders accelerate the Bonds, OSX would need to react accordingly, which may lead to potential filings in Brazil, the Netherlands and/or the United States in the event that consensual arrangements cannot be agreed with creditors.

### 2.4 Proposed Way Forward

OSX does not have a proposal to put to Bondholders at present, but OSX can foresee the possibility of needing to discuss with Bondholders a proposal including the following.

- (a) In the event of an RJ filing at OGX, an initial temporary standstill from Bondholders until former waivers can be applied for and obtained.
- (b) Deferral in payment of December 2013 coupon to March 2014 and a waiver of the obligation to pay 1/3 coupon payments into retention account in November and December 2013 (the October payment has been made).

### 2.5 Other Matters

OSX does not have assets available to sell to create further liquidity except for the certain drilling equipment packages relating to the well-head platform.

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Discussions are underway for the sale of these assets, and sales thereof may realize US\$60-70 million or more before the end of the year.

OSX and its advisers understand that Bondholders will need more visibility and clarity, including as to timing of the matters discussed.