

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

**To the bondholders in:**

**ISIN: NO 001068432.7 – 7.5 per cent. BassDrill Alpha Ltd. Senior Secured Callable Bond Issue 2013/2018**

Oslo, 20 June 2016

**NOTICE OF A WRITTEN BONDHOLDERS' RESOLUTION: (I) RESTRUCTURING PROPOSAL AND (II) TEMPORARY WAIVER OF, INTER ALIA, THE INTEREST COUPON PAYMENT AND THE PRINCIPAL AMORTISATION INSTALMENT DUE 5 APRIL 2016**

Nordic Trustee ASA (the “**Bond Trustee**”) acts as bond trustee for the bondholders (the “**Bondholders**”) in the “7.5 per cent. BassDrill Alpha Ltd. Senior Secured Callable Bond Issue 2013/2018” - ISIN: NO 001068432.7 (the “**Bond Issue**”), issued by BassDrill Alpha Ltd, Bermuda (the “**Issuer**”).

All capitalised terms used herein and not otherwise defined in this summons (the “**Summons**”) shall have the meanings assigned thereto in the bond agreement for the Bond Issue dated 3 July 2013 (the “**Bond Agreement**”) or in the restructuring term sheet attached to this Summons as Schedule 1 (the “**Restructuring Term Sheet**”).

The Issuer has requested the Bond Trustee to issue this request for a written Bondholders' resolution pursuant to Clause 16.5 (*Written Resolution*) of the Bond Agreement to consider the approval of the Proposal, as further set out below.

*The information in this Summons regarding the Issuer and market conditions is provided by the Issuer, and the Bond Trustee expressly disclaims any liability whatsoever related to such information.*

**1. BACKGROUND AND INTRODUCTION**

As a result of restructuring discussions the Issuer, the Original Shareholders and an informal ad hoc committee of Bondholders who together hold over 61% of the principal amount outstanding of the Bonds (the “**Committee**”) entered into a lock-up agreement with respect to a consensual restructuring of the Issuer's financial indebtedness and capital structure on substantially similar terms to those set out in the Restructuring Term Sheet (the “**Restructuring**”) on 24 May 2016. The Issuer has therefore issued this Summons to propose the Restructuring to the Bondholders. In addition, in order to facilitate the implementation of the Restructuring, the Issuer has requested that the Bondholders further temporarily waive the interest coupon payment and the principal amortisation instalment due 5 April 2016 (which was previously deferred, as more particularly described in the summons to a Bondholders' Meeting dated 29 March 2016), and grant it authority to access a further amount of up to USD 484,640 of restricted cash from the Reserve Account for the sole purpose of funding payment of certain of its upcoming operational expenses pending implementation of the Restructuring, as more particularly described herein.

The Issuer believes that the Restructuring is essential to enable the Issuer to meet its immediate funding requirements and maintain the Issuer as a going concern.

## 2. SUMMARY OF THE RESTRUCTURING

2.1 Set out below is a summary of key terms of the Restructuring. It is recommended that the Bondholders read the Restructuring Term Sheet in full in order to properly understand the terms of the Restructuring and the Issuer's reasons for proposing it.

2.2 The Restructuring will, in summary, involve the following steps:

- (a) The nominal principal amount outstanding and the Maturity Date of the Bonds will remain unchanged, while amortisation payments will be waived and the Fixed Rate under the Bond Agreement will be set at 0% for the period between the Implementation Date (as defined below) and the date on which the Rig is again under a charter contract for offshore services. Any other terms of the Bond Agreement will remain unchanged save as described in Section 4 of the Restructuring Term Sheet (the "**Bond Amendments**").
- (b) The transfer of 85% of the equity ownership in the Issuer from the Original Shareholders to the Bondholders. Such 85% equity stake will be held on behalf of Bondholders through one or more special purpose vehicles (the "**Equity Transaction**").
- (c) The corporate structure immediately following the implementation of the Restructuring is shown in Schedule 3 to this Summons. It is intended that immediately following the implementation of the Restructuring, the post-restructuring pro forma equity of NewCo will be held indirectly as follows:
  - (i) 85% held for the benefit of Bondholders through HoldCo; and
  - (ii) 15% by Original Shareholders through ShareCo.
- (d) The respective board of directors of NewCo and HoldCo will be constituted by representatives of the Bondholders appointed by the Bond Trustee upon a written resolution or a resolution of the Bondholders' Meeting approved by the simple majority of the Voting Bonds. The initial board of directors of NewCo and HoldCo will be constituted by three persons to be determined by the Committee.
- (e) Within a period of 3 months after the Implementation Date, HoldCo will issue to Bondholders for no consideration a pro rata allocation of Warrants. Each Warrant will entitle the Warrantholder to receive from HoldCo NewCo Shares for no consideration. The terms of the Warrants are described in more detail in section 8 of the Restructuring Term Sheet.
- (f) ShareCo and HoldCo will enter into the Shareholders' Agreement which together with the relevant articles and by-laws will provide for the governance of NewCo. The Shareholders' Agreement will provide, among other things, for drag-along, tag-along and certain minority protection rights as set out in more detail in Appendix 2 of the Restructuring Term Sheet.

Implementation of both of the Equity Transaction and the Bond Amendments will be inter-conditional upon implementation of each of them (the date on which these elements have both been implemented being the “**Implementation Date**”).

- 2.3 The implementation of the Restructuring will be subject to the conditions described in section 9 of the Restructuring Term Sheet.

### 3. TEMPORARY WAIVER

- 3.1 The Issuer proposes that the Bondholders temporarily waive the following provisions of the Bond Agreement (the “**Payment Waiver**”), subject to the Payment Waiver Conditions (as described in further detail below):

- (a) payment of the interest and principal instalment payments due on the Interest Payment Date of 5 April 2016 shall be temporarily waived (the “**Deferred Payment**”) until the earlier of (i) the date on which the lock-up agreement dated 24 May 2016 between, inter alia, the Issuer, the Original Shareholders (as defined therein) and the members of the Committee is terminated, (ii) the Implementation Date, or (iii) 30 June 2016 (the “**Deferred Payment Date**”);
- (b) the interest amount due and payable on the Deferred Payment shall be calculated based on a period from, and including, the Interest Payment Date on 5 April 2016 to, but excluding, the Deferred Payment Date;
- (c) for the period from, and including, the Interest Payment Date on 5 April 2016 to, but excluding, the Deferred Payment Date, the amount of the Deferred Payment will accrue additional default interest of 5% per annum pursuant to Clause 11.5 of the Bond Agreement;
- (d) on the occurrence of the Implementation Date any interest that has accrued up until such date will be capitalised by the issuance of additional Bonds (for the avoidance of doubt, such an amount will include ordinary interest payable at a rate of 7.5% per annum, plus additional default interest payable at a rate of 5% per annum);
- (e) until the Deferred Payment Date, Clause 13.6(a) (*Asset Cover Ratio*) of the Bond Agreement shall be temporarily waived, and the requirement for the Issuer to obtain or provide a valuation for the purpose of the definition of Market Value shall be disapplied;
- (f) until the Deferred Payment Date, the requirement to transfer funds to the Retention Account shall be temporarily waived; and
- (g) the Payment Waiver shall (if applicable) be terminated prior to the Deferred Payment Date on the date that is the earlier of the date on which (i) the Bond Trustee gives written notice of the same to the Issuer with the approval of Bondholders holding a simple majority of the Voting Bonds (whether through written instructions or at a Bondholders’ Meeting); or (ii) any of the Payment Waiver Conditions (as described in further detail below) are breached or are not satisfied. In either such event, the Deferred Payment (plus default interest



thereon) shall be immediately due and payable and the Payment Waiver shall immediately cease to be effective.

3.2 The Bond Trustee may, by written notice to the Issuer, terminate the Payment Waiver at any time with immediate effect following its determination that any of the following have occurred:

- (a) the Issuer makes any dividends or other distributions or payments to any of its shareholders without the prior consent of the Bond Trustee;
- (b) the Issuer makes any amendments to existing commercial contracts or enters into any new material commercial contracts which would detriment the Issuer or the Bondholders;
- (c) the Issuer enters into any bankruptcy, liquidation, administration, receivership or any other insolvency procedure (or any analogous proceeding in any other jurisdiction), whether voluntary or involuntary;
- (d) any enforcement or acceleration action is taken by or on behalf of any other creditors and/or suppliers of the Issuer under or in connection with any other indebtedness or debts of the Issuer;
- (e) the Issuer terminates and/or fails to comply with the terms of the fee arrangements with the Bond Trustee's legal advisers; or
- (f) the Issuer fails to comply with any of its obligations relating to the Finance Documents, that are not subject to the Payment Waiver,

(items (a) to (f) being the "**Payment Waiver Conditions**").

#### 4. **Access to Restricted Cash**

4.1 The Issuer currently has no unrestricted cash reserves and restricted cash reserves of USD 7,238,481. Pursuant to a Bondholders' resolution dated 10 May 2016, Bondholders granted the Issuer authority to withdraw up to USD 1,480,787 of restricted cash from the Reserve Account for the sole purposes of funding certain of its operational expenses falling due for payment up to and including 10 June 2016 (the "**10 May Permission**").

4.2 Since obtaining the 10 May Permission, the Issuer has informed the Bond Trustee that it has a further short term liquidity requirement in relation to the period from 10 June 2016 up to 10 July 2016.

4.3 In particular, the Issuer has provided to the Bond Trustee, and agreed with the Committee, an updated cash-flow forecast which indicates that aggregate payments of up to USD 1,965,427 are required to be made up to and including 10 July 2016 to meet certain of its material upcoming operational expenses, as detailed therein (the "**Cash Flow Forecast**", and the payments contemplated therein being the "**Permitted Payments**").



- 4.4 The Issuer is therefore requesting that the Bondholders grant it authority to withdraw a further amount of up to USD 484,640 of restricted cash from the Reserve Account (for the avoidance of doubt, such an amount being in addition to the USD 1,480,787 of Restricted Cash which the Issuer is authorised to withdraw from the Reserve Account pursuant to the 10 May Permission), for the sole purpose of funding the Permitted Payments as further detailed in the Cash Flow Forecast, as further provided below.
- 4.5 Payment of the Permitted Payments will secure the ongoing warm-stacking of the BassDrill Alpha tender drilling barge whilst the Issuer and the Bondholders seek to implement the Restructuring.
- 4.6 Subject to the Bondholders providing the Trustee with satisfactory proof of their holdings of Bonds, the Cash Flow Forecast will be made available for inspection by any Bondholder upon request to the Bond Trustee.

### 5. THE PROPOSED RESOLUTION

- 5.1 The Issuer requests that the Bondholders adopt the following resolution (the **“Proposed Resolution”**):
- (a) approve and authorise the implementation of the Restructuring and each element thereof (as described above);
  - (b) instruct the Bond Trustee (in consultation with its advisers) to do all things and take such steps on behalf of the Bondholders as may be necessary or desirable in connection with the implementation of the Restructuring, subject to the conditions set out in the Restructuring Term Sheet, including without limitation:
    - (i) authorising and approving the final terms of, and entering into, any and all documentation and agreements deemed necessary or desirable by the Bond Trustee in connection with the implementation of the Restructuring, as contemplated by the Restructuring Term Sheet;
    - (ii) negotiating and approving the final terms of, entering into and, where relevant, amending, documentation and agreements as may be necessary or desirable in order to constitute the security contemplated in the Restructuring Term Sheet;
    - (iii) taking all such steps as may be necessary or desirable to effect the Restructuring; and
    - (iv) taking any and all steps and actions expressly or impliedly required to be taken or that it would be desirable to take in order to implement the Restructuring, including, without limitation, negotiating, documenting and entering into legal agreements, granting amendments and waivers and giving instructions, consents, approvals and directions as contemplated by the Restructuring Term Sheet;

- (c) instruct and authorise the Bond Trustee to do all things and take such steps as may be necessary to appoint three persons to be determined by the Committee as members of the respective board of directors of NewCo and HoldCo;
- (d) agree that the Bond Trustee may at its discretion, in consultation with its advisers, consent to amendments to the terms of the Restructuring Term Sheet on behalf of Bondholders where such amendments (i) are of a minor or technical nature or (ii) are otherwise consistent with the Restructuring Term Sheet and are required in order to implement the Restructuring or (iii) where they are not of a minor or technical nature but would not adversely affect the position of the Bondholders;
- (e) waive any Event of Default and/or any right to require a redemption of the Bonds under the Put Option according to Clause 10.4 of the Bond Agreement resulting from the taking of any steps contemplated by and consistent with the Restructuring Term Sheet;
- (f) grant with immediate effect upon approval by written resolution of the Bondholders the Payment Waiver, subject to the Payment Waiver Conditions;
- (g) waive on the terms set out below, the requirements set forth in clauses 13.4(e) (*Reserve Account*) and 13.6(b) (*Liquidity*) of the Bond Agreement, which require the Issuer to ensure that the amount standing on the Reserve Account less any Initial Dividend still standing on the Reserve Account at all times equals a minimum of USD 5 million, such that this amount may be reduced to USD 3,034,573 for the purpose of making the Permitted Payments (the “**Reserve Account Waiver**”):
  - (i) after giving effect to the Reserve Account Waiver, Bondholders agree to permit the Issuer access to funds in the Reserve Account in an aggregate amount of up to USD 1,965,427 for the sole purpose of funding the Permitted Payments (for the avoidance of doubt, such an amount shall include the USD 1,480,787 of restricted cash which the Issuer is already authorised to withdraw from the Reserve Account pursuant to the 10 May Permission);
  - (ii) the Reserve Account Waiver shall (if applicable) be terminated on the date that is the earlier of the date on which (1) the Bond Trustee gives written notice of the same to the Issuer with the approval of Bondholders holding a simple majority of the Voting Bonds (whether through written instructions or at a Bondholders’ Meeting); or (2) the funds in the Reserve Account are used for payments other than Permitted Payments. In either such event, the Reserve Account Waiver shall immediately cease to be effective with respect to any further payments from the Reserve Account; and
- (h) agree that the Bond Trustee, in consultation with its advisers, may exercise (or refuse to exercise) any discretion, consent or approval required or contemplated in connection with the matters referred to in this Summons or the Restructuring Term Sheet, and that neither the Bond Trustee nor the

Bondholders shall have any liability whatsoever to any Bondholder or any other person in connection with the exercise (or non-exercise) of any such discretion which is exercised in good faith.

6. **BONDHOLDER SUPPORT**

The Issuer has informed the Bond Trustee that an ad hoc committee of Bondholders holding more than 61% of the Outstanding Bonds has agreed to provide its support and vote their Voting Bonds in favour of adopting the Proposal.

7. **FURTHER INFORMATION**

The Issuer has retained Pareto Securities AS as financial advisor. Accordingly, Bondholders may contact Pareto Securities AS as follows for further information: Pareto Securities AS, +47 22 87 87 70.

For further questions to the Bond Trustee, please contact: Vivian Trøsch at mail@nordictrustee.com or +47 22 87 94 00.

8. **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 advisers regarding the effect of the Proposal.

9. **WRITTEN BONDHOLDERS' RESOLUTION**

Bondholders are hereby provided with a voting request for a Bondholders' 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 mail, courier or e-mail to the address indicated in the enclosed form ("**Voting Form**") no later than 24 June 2016 at 13.00 hours (Oslo time) (the "**Voting Deadline**").

Notwithstanding the Voting Deadline, and subject to the provisions of Clause 16.5 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.

Votes which are submitted are final and cannot be withdrawn. In the event that the Bonds have been transferred to a new owner after voting is conducted, the new Bondholders shall accordingly not be entitled to vote.



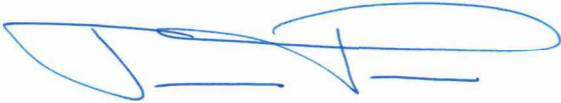
## NORDIC TRUSTEE

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If the Proposed Resolution is not adopted, the Bond Agreement (as amended by the amendments and waivers approved by the Bondholders' Meeting held on 12 April 2016 and Bondholders' written resolution approved on 10 May 2016) will remain unchanged.

Yours sincerely,

Nordic Trustee ASA

A handwritten signature in blue ink, consisting of a large, stylized 'V' followed by a horizontal line and a small flourish.

Vivian Trøsch

**Enclosed:**

Schedule 1: Restructuring Term Sheet

Schedule 2: Voting Form

Schedule 3: Corporate structure of NewCo

## Schedule 1

## BASSDRILL ALPHA LIMITED

## Restructuring Term Sheet

This Term Sheet is not exhaustive, is solely indicative of the key terms of the proposal set out herein between the Term Sheet Parties and additional terms and conditions may be included in the definitive legal documentation prepared in connection with the Restructuring consistent with the matters contemplated by this Term Sheet.

Capitalised terms used in this Term Sheet which are not otherwise defined herein, shall have the meaning given to them in the Bond Agreement (as defined below).

1.	Definitions	<p><b>"BD Shares"</b> means all (100%) of the shares in the Company.</p> <p><b>"Board Observer"</b> has the meaning given to that term in Appendix 2 section 7.</p> <p><b>"Bond Amendment"</b> has the meaning given to that term in section 4.</p> <p><b>"Bond Agreement"</b> means the bond agreement dated 3 July 2013 relating to the <i>"7.5 per cent BassDrill Alpha Ltd. Senior Secured Callable Bond Issue 2013/2018"</i> - ISIN: NO 001068432.7.</p> <p><b>"Bond Trustee"</b> means Nordic Trustee ASA in its capacity as bond trustee (on behalf of the Bondholders).</p> <p><b>"Called Parties"</b> has the meaning given to that term in Appendix 2 section 3.</p> <p><b>"Called Shares"</b> has the meaning given to that term in Appendix 2 section 3.</p> <p><b>"Company"</b> means BassDrill Alpha, Ltd.</p> <p><b>"Equity Transaction"</b> has the meaning given to that term in section 3.</p> <p><b>"Exit"</b> has the meaning given to that term in Appendix 2 section 4.</p> <p><b>"HoldCo"</b> means an exempted company incorporated in the Cayman Islands as an "Orphan Trust" special purpose vehicle, pursuant to a Cayman Islands charitable trust structure (or any other special purpose vehicle incorporated in such other jurisdiction and under such other holding structure as may be determined by the majority of the Bondholders), for the purposes of holding 85% of the NewCo Shares.</p> <p><b>"Implementation Date"</b> has the meaning given to that term in section 2.</p> <p><b>"NewCo"</b> means a special purpose company established by the Bond Trustee and initially owned by HoldCo, and incorporated in the Cayman Islands (or in such other jurisdiction as may be determined by the majority of the Bondholders).</p> <p><b>"NewCo Shares"</b> means the shares of NewCo.</p> <p><b>"Original Shareholders"</b> means the following institutions:</p> <p>(a) Atlantica Tender Drilling Ltd, with registered</p>
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		<p>address at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda;</p> <p>(b) Pareto Worldwide Offshore AS, with registered address at Dronning Mauds Gate 3, 0250 Oslo, Norway;</p> <p>(c) MCO 6 B.V, with registered address at Grover Starshipping Corporation, with registered address at 80 Broad St, Monrovia, Liberia;</p> <p>(d) SeaHorse Norway AS, with registered address at c/o Tyveholmen AS, Tyuvholmen Alle 19, 0252, Oslo, Norway; and</p> <p>(e) Marine Services and Trading Company, with registered address at 16 Street 44, Sin-El-Fil, Lebanon.</p> <p><b>"Pro Forma Equity"</b> has the meaning given to that term in section 3.</p> <p><b>"Proposed Buyer"</b> has the meaning given to that term in Appendix 2 section 3.</p> <p><b>"Proposed Transfer"</b> has the meaning given to that term in Appendix 2 section 2.</p> <p><b>"Selling Parties"</b> has the meaning given to that term in Appendix 2 section 3.</p> <p><b>"Sellers' Shares"</b> has the meaning given to that term in Appendix 2 section 3.</p> <p><b>"ShareCo"</b> means a special purpose company established and owned by the Original Shareholders (incorporated in such jurisdiction as may be determined by the Original Shareholders).</p> <p><b>"Shareholders' Agreement"</b> has the meaning given to that term in section 7.</p> <p><b>"Shareholder Reserved Matters"</b> has the meaning given to that term in Appendix 2 section 5.</p> <p><b>"Subscription Rights"</b> has the meaning given to that term in Appendix 2 section 6.</p> <p><b>"Vessel Manager"</b> means BassDrill Management (USA) Inc, Texas or any other replacement manager of the Rig under a valid management agreement for the technical and commercial management of the Rig between the Company and the respective vessel manager (as approved by the Bond Trustee).</p> <p><b>"Warrantholders"</b> has the meaning given to that term in section 8.</p> <p><b>"Warrants"</b> has the meaning given to that term in section 8.</p>
2.	<b>Restructuring Overview</b>	<p>The Restructuring will comprise the following two key elements (summary of main features only):</p> <ol style="list-style-type: none"> <li>1. The transfer of all of the BD Shares by the Original Shareholders to NewCo as described in section 3 below ("<b>Equity Transaction</b>"); and</li> <li>2. Amendment of the Bond Agreement as described in more detail in section 4 below ("<b>Bond Amendments</b>").</li> </ol> <p>Implementation of both of these key elements of the Restructuring will be inter-conditional upon implementation of</p>

		each of them (the date on which these elements have both been implemented, being the " <b>Implementation Date</b> ").
3.	<b>Equity Transaction</b>	<p>As a first step, the Original Shareholders will transfer the BD Shares to ShareCo in consideration for the issuance to the Original Shareholders on a pro rata basis (in the same proportions as they hold BD Shares) of 100% of the issued shares in ShareCo.</p> <p>As a second step, ShareCo will transfer (by way of contribution or otherwise) the BD Shares to NewCo in consideration for the issuance to ShareCo of NewCo Shares representing 15% of the share capital of NewCo.</p> <p>The corporate structure of NewCo immediately following the implementation of the Restructuring is shown in Appendix 1.</p> <p>It is intended that immediately following the implementation of the Restructuring, the post-restructuring <i>pro forma</i> equity of NewCo (the "<b>Pro Forma Equity</b>") will be held as follows:</p> <ul style="list-style-type: none"> <li>• 85% held by HoldCo; and</li> <li>• 15% held by ShareCo.</li> </ul> <p>The board of NewCo will have the discretion to issue additional NewCo Shares to the Vessel Manager which will result in a corresponding dilution of the above percentages of NewCo Shares held by HoldCo and ShareCo, provided that the Vessel Manager shall accede as a party to the Shareholders' Agreement (see below).</p>
4.	<b>Bond Amendments</b>	<p>The nominal principal amount outstanding under the Bonds, the Maturity Date and any other terms of the Bond Agreement will remain unchanged save as explicitly described in this section 4.</p> <p><b>A. Pre-Contract Amendments:</b></p> <p>On the Implementation Date, the terms of the Bonds will be amended as follows:</p> <ul style="list-style-type: none"> <li>• <b>Amortisation:</b> The Company will not be obligated to make any amortisation payments on the Bonds until the date on which the Rig is again under a charter contract for offshore services.</li> <li>• <b>Interest:</b> <ul style="list-style-type: none"> <li>○ The payment of the interest due on the Interest Payment Date of 5 April 2016 (that has been subject to a temporary interest waiver until 20 May 2016 pursuant the resolution of the Bondholders' Meeting held on 12 April 2016), and any further interest that has accrued up until the Implementation Date, will be capitalised by the issuance of additional Bonds.</li> <li>○ The Company will not be obligated to pay any interest on the Bonds (including, for the avoidance of doubt, default interest) for the period between the Implementation Date and the date on which the Rig is again under a charter contract for offshore services. The Fixed Rate will be set at 0%.</li> </ul> </li> <li>• <b>Reserve Account:</b></li> </ul>

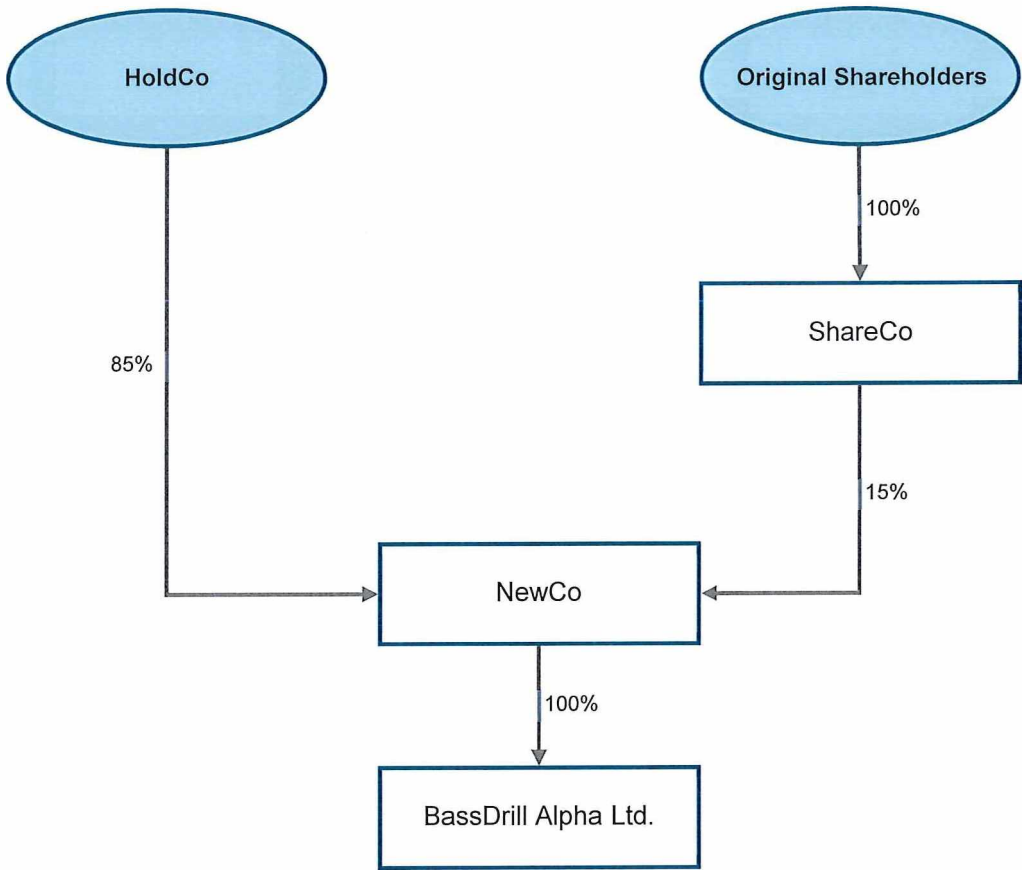
		<ul style="list-style-type: none"> <li>○ The minimum amount required to be held in the Reserve Account shall be reduced to USD 1,250,000.</li> <li>• <b>Retention Account:</b> <ul style="list-style-type: none"> <li>○ The Retention Account will not be required any longer and after the Implementation Date the Company will be able to freely access the amount available on the Retention Account and make use of it for its working capital requirements. Any references to the "Retention Account" will be deleted in the Bond Agreement.</li> </ul> </li> <li>• <b>Financial Covenants:</b> <ul style="list-style-type: none"> <li>○ The Asset Coverage Ratio covenant in Clause: 13.6 (a) (Financial Covenants) of the Bond Agreement will be permanently waived.</li> <li>○ The current minimum balance of USD 5 million required under Clause 13.6 (b) (Financial Covenants) of the Bond Agreement shall be changed to a minimum balance of USD 1,250,000.</li> </ul> </li> <li>• <b>Guarantees/Security</b> <ul style="list-style-type: none"> <li>○ NewCo shall become a guarantor of the Bonds.</li> <li>○ NewCo shall grant a charge over the BD Shares to the Bond Trustee.</li> </ul> </li> <li>• <b>Shareholders</b> <ul style="list-style-type: none"> <li>○ All provisions of the Bond Agreement relating or referring to the Original Shareholders will be amended accordingly to reflect the new corporate/ownership structure of the Company.</li> </ul> </li> <li>• <b>Exercising Rights in HoldCo</b> <ul style="list-style-type: none"> <li>○ Bondholders will be entitled to instruct the Bond Trustee through a written resolution pursuant Clause 16.5 of the Bond Agreement or a resolution of the Bondholders' Meeting (in each case) by the majority of the Voting Bonds to (i) appoint and remove directors to and from the board of HoldCo, and (ii) to exercise any other rights conveyed to it under the articles of association of HoldCo or any declaration of trust or other contractual arrangement with respect to HoldCo.</li> </ul> </li> </ul> <p><b>B. Post-Contract Amendments:</b></p> <p>With effect from the date on which the Rig is again under a charter contract for offshore services, the terms of the Bond Agreement in particular with respect to the Maturity Date, interest, cash sweep and covenants shall be amended on terms approved by a Bondholders' Meeting or a Written Resolution, provided that the interest rate payable under the amended terms of the Bond Agreement shall not exceed 10.00%.</p>
5.	<b>Bond Listing</b>	<p>The Company will use its best endeavours to ensure that the listing of the Bonds on the Nordic ABM will be maintained following the amendment of the Bonds.</p>



6.	<b>Board of Directors</b>	NewCo will have a minimum of 3 directors (or otherwise if so directed by tax advisors). As stated above, the Bond Trustee (on behalf of Bondholders) will be authorised to appoint and remove directors to and from the board of NewCo.
7.	<b>Governance /Shareholders' Agreement</b>	<p>The principal terms of the governance of NewCo are summarised in Appendix 2 hereto.</p> <p>ShareCo and HoldCo will enter into an English or Cayman law governed shareholders' agreement including the terms summarised in Appendix 2 hereto ("<b>Shareholders' Agreement</b>").</p> <p>If any NewCo Shares are distributed to Bondholders (see section 8), the relevant Bondholders receiving those NewCo Shares shall be required to accede to the Shareholders' Agreement.</p> <p>If any NewCo Shares are to be issued to the Vessel Manager, it shall be required to accede as a party to the Shareholders' Agreement.</p>
8.	<b>HoldCo Warrants</b>	<p>Warrants exercisable for NewCo Shares equating in aggregate to 85% of the Pro-Forma Equity will be issued by HoldCo to the Bondholders within a period of 3 months after the Implementation Date (the "<b>Warrants</b>").</p> <p>Each Bondholder will be issued for no consideration a pro rata allocation of the Warrants (calculated by reference to Bonds held by such Bondholder at the time of issue of the Warrants). Following issuance, the holders of the Warrants will be known as the "<b>Warrantholders</b>".</p> <p>Each Warrant will entitle the Warrantholder to receive one Newco Share for no consideration.</p> <p>The Warrants will be exercisable at any time immediately following their issue by HoldCo until expiration. The Warrants will expire after 5 years from the date of issue and will automatically lapse without any compensation payable to Warrantholders if they have not been exercised.</p> <p>The exercise of the Warrants and the delivery of the relevant NewCo Shares to a Warrantholder will be subject to the respective Warrantholder acceding as a party to the Shareholders' Agreement.</p>
9.	<b>Conditions</b>	<p>The implementation of the Restructuring will be subject to customary conditions, in particular:</p> <ul style="list-style-type: none"> <li>i. agreement of an approved budget between the Bond Trustee, the Vessel Manager and the Company;</li> <li>ii. negotiation and agreement of final terms and definitive legal documentation evidencing the transactions contemplated by the Restructuring;</li> <li>iii. receipt of the requisite approvals from the Bondholders' Meeting;</li> <li>iv. completion of the Equity Transaction;</li> </ul>

		<p>v. the Bond Trustee being provided with evidence satisfactory to it that a management agreement for the technical and commercial management of the Rig between the Company and the Vessel Manager is in place for the period following the Implementation Date at terms satisfactory to the Bond Trustee;</p> <p>vi. the Company not having entered into any bankruptcy, liquidation, administration, receivership or any other insolvency procedure (or any analogous proceeding in any other jurisdiction), whether voluntary or involuntary; and</p> <p>vii. confirmation from the Bond Trustee that it is satisfied with the professional fees, costs and expenses associated with the Restructuring</p> <p>The Bond Trustee may exercise its discretion to waive any of the conditions set out in this section 9.</p>
10.	<b>Costs</b>	<p>The costs and expenses of the Bond Trustee (and its advisers) relating to preparing and agreeing this Term Sheet and the implementation of the Restructuring (for the avoidance of doubt including in particular the set-up of NewCo and HoldCo or related to the issue of the Warrants) will be paid by the Company.</p> <p>The Company and the Original Shareholders shall each bear their own costs and expenses relating to preparing and agreeing this Term Sheet and the implementation of the Restructuring.</p>
11.	<b>Reservation of Rights</b>	<p>Until the Implementation Date, the provisions of the Bond Agreement will continue in full force and effect and nothing in this Term Sheet will effect a modification or waiver of any rights under the existing Bond Agreement, the Finance Documents or any other documents and agreements ancillary thereto, or to any of the Bondholders' rights as creditors of the Company, and any and all rights of the Term Sheet Parties are fully reserved and the provisions of this Term Sheet will be without prejudice to all of their rights.</p>
12.	<b>Governing Law</b>	<p>This Term Sheet will be governed by and construed in accordance with Norwegian law.</p>

Appendix 1  
Target Corporate Structure





## Appendix 2

### Governance and Shareholders' Agreement

This Appendix 2 represents only a preliminary proposal in relation to the main terms of governance which would be included in the relevant Shareholders' Agreement and/or documentation for any potential transaction.

<p><b>1. Governance</b></p>	<p>The fixed number of individual directors of NewCo shall be three (or otherwise if so directed by tax advisors).</p> <p>All matters at directors' meetings other than Shareholder Reserved Matters shall be decided by a simple majority of directors. In the event that the number of votes for and against a particular proposal at a meeting of the directors is equal, the chairman of the board of directors shall have a casting vote. The approval of any Shareholder Reserved Matter (as defined below) relating to NewCo or the Company, or their subsidiaries (if any), shall require the approval of (i) shareholders of NewCo holding at least 66.67% of the NewCo Shares present and voting in an extraordinary general meeting, or (ii) a written resolution by shareholders of NewCo holding at least 66.67% of the outstanding NewCo Shares.</p> <p>Any proposed alteration of the votes or economic rights attached to the NewCo Shares which would impose a detrimental economic or voting effect on some of the NewCo Shares (for these purposes, the "<b>Minority Shares</b>") relative to the remainder of the NewCo Shares (for these purposes, the "<b>Majority Shares</b>") without offering pro rata participation in the Majority Shares to all shareholders of NewCo, will also be a Shareholder Reserved Matter with an approval level set of "at least 90%" rather than "at least 66.67%"</p>
<p><b>2. Tag along right</b></p>	<p>If, in one or a series of related transactions, one or more shareholders of NewCo propose to transfer (the "<b>Selling Party</b>") in aggregate 66.67% or more of all NewCo Shares to any person (the "<b>Proposed Transfer</b>") such Selling Party shall, before making a Proposed Transfer, procure that the proposed transferee makes an offer to any other shareholder of NewCo to purchase all the NewCo Shares held by it for a consideration in cash per share that is at least equal to the highest price per share offered or paid by the proposed transferee in the Proposed Transfer.</p> <p>A Proposed Transfer that involves a transfer to a person that is in any way directly or indirectly related to any of (i) the shareholders of NewCo, (ii) the Bondholders, or (iii) the shareholders of ShareCo, will not qualify as a Proposed Transfer as provided in this section 2.</p> <p>Subject to section 3 below, if a shareholder accepts the offer made by the proposed transferee, it shall (i) provide warranties and indemnities to</p>

	<p>the proposed transferee, under equal terms as provided by the Selling Party and (ii) shall compensate the Selling Party's reasonable costs and expenses in implementing such transfer based upon its pro-rata holding of NewCo Shares.</p>
<b>3. Drag-along right</b>	<p>If a Selling Party wishes to transfer in aggregate 66.67% or more of all NewCo Shares (the "<b>Sellers' Shares</b>") to a bona fide transferee on arm's length terms (the "<b>Proposed Buyer</b>"), the Selling Party may require all other shareholders of NewCo (the "<b>Called Parties</b>") to sell and transfer all their respective NewCo Shares (the "<b>Called Shares</b>") to the Proposed Buyer (or as the Proposed Buyer directs) in accordance with the shareholders' agreement and the constitutional documents of NewCo.</p> <p>A transfer of NewCo Shares that involves a Proposed Buyer that is in any way directly or indirectly related to any of (i) the shareholders of NewCo, (ii) the Bondholders, or (iii) the shareholders of ShareCo, will not qualify as a transfer as provided in this section 3.</p> <p>Each of the Called Parties shall (i) provide the Proposed Buyer with warranties and indemnities in relation to the title and unencumbered nature of the Called Shares, under equal terms as provided by the Selling Party, provided that a Called Party will be liable towards the Proposed Buyer in case of breach up to a maximum of 50% of the net proceeds of the relevant Called Party derived from the transfer, and (ii) shall compensate the Selling Party for such Called Party's proportionate share (based on its shareholding) of any reasonable costs and expenses incurred by the Selling Party in implementing such transfer (or pro rata portion thereof), up to a maximum amount of USD 5,000 for every 1% of equity in NewCo that is held by the Called Party.</p>
<b>4. Exit</b>	<p>The directors of NewCo shall control the process for, decide upon and approve any Exit.</p> <p>An Exit that involves a proposed buyer that is in any way directly or indirectly related to any of (i) the shareholders of NewCo, (ii) the Bondholders, or (iii) the shareholders of ShareCo, will not qualify as an Exit as provided in this section 4.</p> <p>An "<b>Exit</b>" means:</p> <ol style="list-style-type: none"> <li>a sale of all shares in the capital of the Company; or</li> <li>the sale of all or substantially all the business and/or assets of the Company; or</li> <li>the admission to trading of NewCo's or the Company's shares on a recognised stock exchange.</li> </ol> <p>The shareholders of NewCo will take all actions (if any) that are reasonably required (at the expense of NewCo) at any time to achieve an Exit in a timely manner (including giving customary warranties, representations and undertakings in connection with the Exit).</p> <p>Following an Exit, NewCo (if not sold in connection with the Exit) shall be liquidated and all monies remaining in NewCo (after payment of the</p>



	liabilities of NewCo) shall be distributed to the Parties on a pro rata basis, save for any amount required for the purpose of liquidation costs.
<b>5. Shareholders Reserved Matters</b>	<p>The following matters constitute "Shareholders Reserved Matters"</p> <ol style="list-style-type: none"> <li>1. any amendment to the constitutional documents or equity capital structure of NewCo, the Company or any of its subsidiaries (if any);</li> <li>2. any alteration of the votes or economic rights attached to the NewCo Shares, otherwise than a modification affecting all such shares in the same way;</li> <li>3. distributions, cancellations or repurchases of NewCo Shares other than in proportion to shareholders' holdings of NewCo Shares;</li> <li>4. any substantial change to the business of the Group, NewCo or the Company with the effect that their main activity is no longer to serve as the holding companies owning the Rig, except any such change occurring as a result of, or in connection with, any Exit;</li> <li>5. any merger or demerger;</li> <li>6. any acquisition of assets or business for in excess of USD 3,000,000 (alone or with other acquisitions during the year); and</li> <li>7. related party transactions (other than equity capital raising) which are not on arm's length terms.</li> </ol>
<b>6. Subscription rights</b>	<p>In case of an issue of new NewCo Shares after the Implementation Date each shareholder of NewCo shall have a subscription right with respect to such newly issued NewCo Shares pro rata to its respective shareholdings in NewCo (the "<b>Subscription Right</b>"). To the extent that shareholders of NewCo do not exercise their respective Subscription Right and newly issued NewCo Shares would remain unallocated, the other shareholders shall be allowed to additionally subscribe for such unallocated NewCo Shares (with allocation to be pro rata to their respective shareholdings), before such NewCo Shares can be offered for subscription to any third party.</p> <p>This section 6 and the Subscription Rights described herein do not apply to any new share issue of NewCo Shares to the Vessel Manager.</p>
<b>7. Board Observer</b>	<p>ShareCo will be entitled to appoint, maintain, remove and replace at any time in writing an independent person as representative, who may attend and participate in discussions as an observer at each meeting of NewCo's board of directors subject to applicable law (the "<b>Board Observer</b>"), and provided that the Board Observer agrees to be bound to a customary confidentiality undertaking.</p> <p>The Board Observer shall have access to each meeting of NewCo's board of directors.</p> <p>ShareCo will cover any fees and costs for or in connection with the services of the Board Observer.</p>
<b>8. Information Rights</b>	<p>The shareholders of NewCo shall be provided with the same financial information as is currently provided on a semi-annual and annual basis with respect to the Bonds.</p> <p>The directors of NewCo shall provide the shareholders of NewCo with a written quarterly business update including an update from the Manager.</p>



<b>9. Confidentiality</b>	The Shareholders Agreement will include standard confidentiality provisions.
<b>10. Amendments</b>	<p>The Shareholders' Agreement may be amended with the consent of shareholders holding 75% of all of the outstanding NewCo Shares, with exception of the following provisions which may only be amended with the consent of shareholders holding 90% of all of the outstanding NewCo Shares:</p> <ul style="list-style-type: none"> <li>(i) 3<sup>rd</sup> paragraph of section 1 (<i>Governance</i>);</li> <li>(ii) the increase of the threshold and a change of the trigger for the tag along right in section 2 (<i>Tag along Right</i>);</li> <li>(iii) 3<sup>rd</sup> paragraph of section 3 (<i>Drag-along right</i>);</li> <li>(iv) section 6 (<i>Subscription rights</i>);</li> <li>(v) section 7 (<i>Board Observer</i>); and</li> <li>(vi) section 8 (<i>Information Rights</i>).</li> </ul>
<b>11. Governing Law</b>	<p>The relevant governance documentation and/or Shareholders Agreement shall be governed by and construed in accordance with Cayman and/or English law.</p> <p>Any dispute arising out of or in connection with the relevant governance documentation and/or Shareholders Agreement shall be subject to the non-exclusive jurisdiction of the English and/ or Cayman courts.</p>

**Schedule 2**  
**Voting Form**

**ISIN NO: 001068432.7 – 7.5 per cent. BassDrill Alpha Ltd. 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 written resolution dated 20 June 2016

☐ **In favour** of the Proposed Resolution

☐ **Against** the Proposed Resolution

ISIN <b>ISIN NO 001068432.7</b>	Amount of bonds owned
Custodian name	Account number at Custodian
Company	Day time telephone number
	Email

Enclosed to this form is the complete printout from our custodian/VPS,<sup>1</sup> verifying our bondholding in the bond issue as of \_\_\_\_\_

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

.....  
Place, date

**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.no](mailto:mail@nordictrustee.no)

.....  
Authorised signature

<sup>1</sup> 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.

**Schedule 3**

**Corporate structure of NewCo**

