

The terms and conditions set out in this Term Sheet are indicative only and do not constitute a binding agreement to the terms described in this Term Sheet. The commencement of the transaction(s) described in this Term Sheet is subject to internal approval and satisfactory documentation.		1. Date of Term Sheet and Expiry Date of Term Sheet (Cl. 23)
2. Seller(s) (name and jurisdiction of incorporation) (if not also the Charterers)	3. Lessor(s) and other lessor parties, if applicable (name and jurisdiction of incorporation)	
4. Charterer(s) (name and jurisdiction of incorporation)	5. Guarantor(s) and other Obligors, if applicable (name and jurisdiction of incorporation)	
6. Maximum Purchase Price of Vessel (state currency and amount or basis of calculation)	7. Financing Amount or Cost Balance (state percentage of purchase price)	
8. Vessel(s) (describe below or specify in Annex A)	9. Commercial and Technical Managers, if applicable	
10. Charter Period (Cl. 7)	11. Optional extension period and notice (Cl. 8) (i) State extension period (ii) State when exercisable	
12. Fixed Charter Hire (state currency, frequency and amount based on maximum financing amount) (describe below or specify in Annex B) (Cl. 5)	13. Floating Charter Hire, if applicable (state currency and variable charter rate) (describe below or specify in Annex B) (Cl. 5)	
14. Default Rate (state percentage) (Cl. 19)	15. Fees (Cl. 12)	
16. Purchase Option, if applicable (state when exercisable, amount to be paid on exercise of Purchase Option(s), and associated fees, if any) (Cl. 10)	17. Purchase Obligation, if applicable (state amount or percentage of Financing Amount) (Cl. 11)	
18. Asset Coverage Ratio, if applicable (Cl. 17(d)i.)	19. Hull Insurance Ratio (state ratio to balance of Charter hire or other basis) (Cl. 15)	
20. Major Casualty Amount (Cl. 15 and 17(c)v.)	21. Financial Indebtedness Threshold (state whether applicable to (i) Charterers and/or (ii) Obligors (Cl. 18)	
22. Governing Law (Cl. 24)	23. Jurisdiction (Cl. 24)	

This Term Sheet consists of PART I, PART II, Annex A (List of Vessels) and, if applicable, Annex B (Hire), Annex C (Amounts Payable upon Termination Event or Early Termination Event), Annex D (Change of Control) and Annex E (Financial Covenants).

Signature (on behalf of the Lessors)	Signature (on behalf of the Obligors)
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Transaction Overview

- 1. Transaction** The Seller to sell the Vessel(s) to the Lessor and the Lessor to purchase the Vessel(s) from the Seller, and the Charterer to charter the Vessel(s) from the Lessor.
- 2. Transaction Documents** The transaction will be implemented by way of a Memorandum of Agreement and a Bareboat Charter, each as described below. The Memorandum of Agreement will be based on [NSF (2012)][BIMCO ship sale agreement (2020)] and the Bareboat Charter will be based on BARECON (2017). Other documentation will include the security stated in Clause 13, any fee letters and such other documents as may be agreed. Each Transaction Document shall be in form and substance satisfactory to the parties.

Sale of the Vessel(s)

- 3. Memorandum of Agreement** The Seller and the Lessor will enter into a Memorandum of Agreement pursuant to which the Owner will acquire the Vessel(s) on an “as is, where is” basis.
- 4. Purchase Price** The Purchase Price shall be the lower of the Initial Fair Market Value and the Maximum Purchase Price stated in Box 6.
- The Initial Fair Market Value will be the average of two current valuations of two brokers nominated by the Lessor and the Seller, respectively. If the difference between such valuations is greater than five percent then a third valuation shall be prepared by another broker nominated by the Lessor, with the Initial Fair Market Value being the average of all three valuations.

Charter of the Vessel(s)

- 5. Bareboat Charter** The Lessor will charter the Vessel(s) to the Charterer on the terms and conditions set out in the Bareboat Charter.
- 6. Hire** Hire shall be payable as stated in Box 12 or Box 13, as applicable.
- Hire shall be paid on a hell or high water basis.
- 7. Charter Period** The Charter Period shall be as stated in Box 10. The Charter Period shall commence immediately upon delivery of the Vessel(s) under the Memorandum of Agreement.
- 8. Charter Period Extension** Any Charter Period Extension shall be as stated in Box 11 with Hire to be adjusted accordingly.
- 9. Early Termination Events** The Charter will be terminated early in the case of:
- a. actual or constructive total loss of a Vessel;
 - b. illegality;
 - c. [others].
- The amount payable by the Charterer(s) in the event of an Early Termination Event shall be [the amount specified in Annex C].

- 10. Purchase Option** (Only to apply if Box 16 is completed).
The Charterer(s) shall have the right to purchase the Vessel(s) on the terms stated in Box 16. In such case, the purchase shall be on an “as is, where is” basis.
- 11. Purchase Obligation** (Only to apply if Box 17 is completed).
The Charterer(s) shall have the obligation to purchase the Vessel(s) on the terms stated in Box 17. In such case, the purchase shall be on an “as is, where is” basis.
- 12. Fees**
The Fees will be payable in the amounts and at the times stated in Box 15. Unless stated in Box 15, the Fees will be non-refundable.
- 13. Charterer’s Security**
The Charterer shall grant the following security:
- i. a first priority assignment of the insurances, earnings and any requisition compensation relating to the Vessel(s);
 - ii. a first priority security interest over an earnings account relating to the Vessel(s);
 - iii. a first priority assignment of any Vessel sub-charterparty, perfected by notification to the sub-charterer(s) if the charterparty exceeds (or, by virtue of any optional extensions, may exceed) 12 months;
 - iv. the guarantee(s) of the Charterer(s) obligations (only if Box 3 is completed);
 - v. an undertaking from any Commercial and/or Technical Manager stated in Box 9;
 - vi. [a first priority security interest over the shares or other equity interests in the Charterer and subordination of intra-group liabilities of the Charterer] [include if applicable]; and
 - vii. [a first priority assignment of the shipbuilding contract and any refund guarantee(s)] [include if applicable].
- 14. Lessor’s Financing**
The Lessor may mortgage the Vessel(s) and onward assign by way of security the Charter and any security granted pursuant to the Charter to any financiers providing financing to the Lessor, subject to the provision of a Quiet Enjoyment Letter from the mortgagee to the Charterer on terms reasonably acceptable to the parties.
- 15. Insurances**
The Charterer will keep the Vessel(s) insured, with insurers acceptable to the Lessor, at the cost of the Charterer against customary risks, including:
- i. hull & machinery risks, including hull interest, on an agreed value basis for the higher of the fair market value of the Vessel(s) and the amount equivalent to the Hull Insurance Ratio stated in Box 19 multiplied by the outstanding Hire or as otherwise agreed;
 - ii. protection & indemnity risks, including oil pollution liability, at the highest level of cover available under a standard P&I club entry; and
 - iii. war risks, including blocking and trapping.
- The insurances must name the Lessor, or any mortgagee of the Vessel(s), as sole loss payee in respect of any insurance proceeds in excess of the Major Casualty Amount stated in Box 20. Proceeds of a total loss will be applied by the Lessor, or any mortgagee of the Vessel(s), towards payment of the applicable amount under the Charter. Proceeds of a major casualty will be held by the Lessor as security and will be applied towards reimbursement of the cost of reinstating the Vessel(s) paid by the Charterer or, at the request of the Charterer, paid directly to third parties engaged in the reinstatement of the Vessel(s).
- The Charterer will indemnify the Lessor for the costs of any innocent owner’s interest insurance, including insurance for additional perils, obtained by the Lessor, such costs to be approved in advance by the Charterer.

16. Representations and Warranties

The Obligors will make representations and warranties customary for transactions of this nature (subject to such qualifications as may be agreed).

17. Covenants

Covenants customary for transactions of this nature (subject to such qualifications and exceptions as may be agreed), including:

(a) Vessel covenants

- i. maintenance of registration of the Vessel(s) in the Lessor's name;
- ii. restriction on name or Classification Society without prior Lessor consent;
- iii. maintenance of Class Notation and compliance with mandatory Classification Society requirements;
- iv. compliance with ISM and ISPS codes;
- v. restriction on modifications to the Vessel(s);
- vi. Lessor inspection rights;
- vii. no liens, other than permitted liens, and release from arrest;
- viii. prudent operation and maintenance of Vessel(s), including restriction on actions which would invalidate insurances and restriction on trading in war zones;
- ix. restriction on change of Commercial and/or Technical Managers without prior Lessor consent;
- x. restriction on entering into time charterparties for a period (including any extension options) in excess of 12 months or any bareboat sub-charter, in either case without prior Lessor consent; and
- xi. [undertaking supervision of construction or refitting of the Vessel(s).]

(b) General covenants

- i. authorisations;
- ii. compliance with laws (including applicable sanctions, anti-money laundering, anti-bribery and other regulatory requirements);
- iii. environmental compliance;
- iv. payment of taxes;
- v. pari passu ranking of Obligors' indebtedness;
- vi. negative pledge;
- vii. restriction on disposals;
- viii. restriction on merger;
- ix. restriction on change of business or jurisdiction;
- x. registration of the Charter, if required; and
- xi. customary special purpose vehicle covenants (if applicable), including restrictions on debt and activities.

(c) Information covenants

- i. annual audited accounts and semi-annual unaudited accounts as specified in Annex E as soon as they become available but in any event within, in the case of annual accounts, 180 days and, in the case of semi-annual accounts, 90 days of the end of the relevant financial period;
- ii. annual operating budgets or forecasts;
- iii. all information relating to any "know your customer" or other regulatory checks required to be carried out by the Lessor;
- iv. prompt notification of any Termination Event listed in Clause 18;
- v. prompt notification of any Vessel arrest or requisition, unscheduled drydocking, actual or constructive total loss of the Vessel(s) or any Vessel damage exceeding the Major Casualty Amount stated in Box 20; and
- vi. any other information which the Lessor reasonably requests regarding the Vessel(s), earnings and insurances or the Obligors.

(d) Financial covenants

i. Asset coverage covenant

(Only to apply if Box 18 is completed).

Fair market value of the Vessel(s) will be determined no less frequently than every 12 months or as required by the Lessor's financiers by an average of two desk top valuations by valuers acceptable to the Lessor (pre-agreed valuers listed in Annex E), provided on a charter-free basis at the cost of the Charterer.

The ratio of the aggregate fair market value of the Vessel(s) to the total outstanding Hire must at all times be at least equal to the Asset Coverage Ratio stated in Box 18. If the fair market value of the Vessel(s) diminishes such that the Asset Coverage Ratio requirement is not satisfied, the Charterer will either (a) prepay such portion of the Hire as will ensure that the Asset Coverage Ratio requirement is satisfied or (b) provide security acceptable to the Lessor. Amounts prepaid will be applied against the outstanding Hire instalments in inverse order of maturity. No prepayment fee will be payable in respect of any such prepayment.

ii. Other financial covenants including, if applicable, cross-collateralisation, as may be agreed between the parties and specified in Annex E.

18. Termination Events

Termination Events customary for transactions of this nature (subject to such qualifications and remedy periods as may be agreed) in respect of the Obligors, including:

- i. non-payment;
- ii. breach of covenants and failure to comply with any other provision of the Bareboat Charter or any other Transaction Document;
- iii. misrepresentation;
- iv. cross default (financial indebtedness), subject to threshold(s) (on an individual entity or group basis, as applicable) not to exceed the amount(s) stated in Box 21;
- v. [collateral]/[related] charter termination event;
- vi. Change of Control [if and as specified in Annex D];
- vii. insolvency;
- viii. insolvency proceedings;
- ix. creditors' process;
- x. unlawfulness, invalidity or loss of priority of security;
- xi. litigation; and
- xii. material adverse change.

19. Default Interest

The Default Rate stated in Box 14 will apply in respect of any amount due but unpaid.

20. Lessor remedies upon Termination Events

On the occurrence of a Termination Event the Lessor's remedies will include the right to take repossession of the Vessel(s) and the amount payable following a Termination Event shall be the amount as determined in Annex C. All the amounts due and payable upon termination shall become immediately due and payable and the leasing of the Vessel(s) under the Charter shall terminate.

Other Transaction Terms

21. Conditions Precedent

Conditions Precedent to the payment of the Purchase Price under the Memorandum of Agreement and the delivery of the Vessel under the Bareboat Charter, as applicable, customary for transactions of this nature, including:

- i. a duly executed original of each Transaction Document;
- ii. constitutional documents of the Obligors;

- iii. evidence that all necessary corporate, shareholder and other action has been taken by the Obligors to authorise the execution, delivery and performance of the Memorandum of Agreement, Bareboat Charter and the other Transaction Documents;
- iv. customary legal opinions;
- v. evidence of process agent appointment, if applicable;
- vi. current valuation(s) of the Vessel(s);
- vii. evidence that the Vessel(s):
 - a. prior to delivery, is/are registered in the name of the Builder/Seller under the Registry/Flag stated in Box 8,
 - b. upon delivery, is/are or will be registered in the name of the Lessor and is/are free of encumbrances,
 - c. maintain(s) its classification(s) free of overdue conditions and recommendations, and
 - d. upon delivery, is/are insured in accordance with the terms of the Transaction Documents;
- viii. copies of any shipbuilding contract or memorandum of agreement relating to the Vessel(s), if applicable;
- ix. copies of applicable technical and commercial management agreements (and of any applicable document of compliance);
- x. copies of customary vessel certificates (including statutory safe manning certificate);
- xi. payment of all applicable fees and expenses; and
- xii. no Termination Event or any event which with the giving of notice or the lapse of time would constitute a Termination Event.

22. Lessor's Transfer Rights

The Lessor may transfer all or any of its rights and obligations, subject to the [consent of] *OR* [consultation with] *OR* [notice to] the Charterer. Such [consent/consultation/notice] shall not be required following a Termination Event or in case of transfer to an affiliate of the Lessor. The Charterer shall not pay any additional costs or incur any additional liabilities as a result of circumstances existing at the time of such sub-participation or transfer.

23. Miscellaneous

- i. The Charterer will reimburse the Lessor for any costs and expenses (including legal expenses) reasonably incurred in the negotiation, preparation, execution and perfection of the Memorandum of Agreement, Bareboat Charter and the other Transaction Documents.
- ii. The Transaction Documents will contain provisions customary for transactions of this nature (subject to such qualifications as may be agreed) relating to, among other things, market disruption, tax gross-up, tax and general indemnities, US Foreign Account Tax Compliance Act and analogous legislation, applicable bail-in legislation, enforcement and amendment costs, increased costs and set-off.
- iii. The Transaction Documents will contain customary provisions relating to disclosure of confidential information, including the fact that this Term Sheet and its contents should be treated as confidential between the parties and may not be disclosed to any person other than a party's legal and other professional advisors in relation to the proposed transactions.
- iv. This Term Sheet will expire on the earliest of the date stated in Box 1, when the Transaction Documents are executed, or as otherwise agreed.

24. Governing Law and Jurisdiction

The Memorandum of Agreement, the Bareboat Charter and all other Transaction Documents will be subject to the Governing Law and Jurisdiction stated in Boxes 22 and

23, except where another Governing Law is appropriate in the case of any other Transaction Document.

CONSULTATION DRAFT

ANNEX A

LIST OF VESSELS

VESSEL 1

Vessel name/IMO number:

Seller:

Vessel type / specifications:

Vessel Registry/ Flag (existing):

Vessel Registry/ Flag (post sale, if different):

Vessel Classification Society:

Builder and scheduled delivery date (in case of newbuilding):

VESSEL 2/3/4 etc.

Vessel name/IMO number:

Seller:

Vessel type / specifications:

Vessel Registry/ Flag:

Vessel Registry/ Flag (post sale, if different):

Vessel Classification Society:

Builder and scheduled delivery date (in case of newbuilding):

ANNEX B

HIRE

Schedule to be inserted and to include Advance Hire, number of payments, frequency of payments, whether in arrears or in advance and payment streams, if applicable, Financing Amount (Box 7), outstanding Hire and Purchase Option and/or Purchase Obligation price.

If Floating Charter Hire, include interest rate (base rate plus margin) and interest period.

CONSULTATION DRAFT

ANNEX C

AMOUNTS PAYABLE UPON TERMINATION EVENT OR EARLY TERMINATION EVENT

Termination Event – Definition of Termination Sum (or equivalent):

[insert agreed definition]

Early Termination Event – Definition of Early Termination Amount (or equivalent):

[insert agreed definition]

CONSULTATION DRAFT

ANNEX D

CHANGE OF CONTROL

CONSULTATION DRAFT

ANNEX E

FINANCIAL COVENANTS

CONSULTATION DRAFT