

Prospectus for admission to trading



## **Eagle Bulk Shipco LLC**

Eagle Bulk Shipco LLC 8.250% senior secured USD 200,000,000 bonds 2017/2022

ISIN NO0010810872

9 May 2018

**This Prospectus is for admission to trading of Eagle Bulk Shipco LLC's 8.250% senior secured USD 200,000,000 bonds 2017/2022 (the "Bonds") on the Oslo Stock Exchange. The Bonds were previously issued on 28 November 2017. Therefore, this Prospectus does not constitute an offer or solicitation to buy, subscribe or sell the securities described herein, and no securities are being offered or sold pursuant to this Prospectus in any jurisdiction.**

## Important notice

Copies of this Prospectus are not being mailed or otherwise distributed or sent in or into or made available in the United States other than on the Parent's website. Persons receiving this document (including custodians, nominees and trustees) must not distribute or send this document or any related documents in or into the United States.

This Prospectus is for admission to trading of Eagle Bulk Shipco LLC's 8.250% senior secured USD 200,000,000 bonds 2017/2022 (the "**Bonds**") on the Oslo Stock Exchange. The Bonds were previously issued on 28 November 2017. Therefore, this Prospectus is not a "prospectus" as that term is defined under the United States Securities Act of 1933 and does not otherwise constitute an offer or solicitation to buy, subscribe or sell the securities described herein, and no securities are being offered or sold pursuant to this Prospectus in any jurisdiction. Furthermore, at the time of issuance on 28 November 2017 and during any distribution compliance period under the United States Securities Act of 1933, no solicitations relating to the Bonds were made, directly or indirectly, in the United States, the Bonds were not offered or sold in the United States, and the Bonds were not registered under the United States Securities Act of 1933.

The distribution of the Prospectus may be limited by law also in other jurisdictions, for example in Canada, Japan and in the United Kingdom. The Prospectus has been reviewed and approved by the Financial Supervisory Authority in Norway (the "**Norwegian FSA**") on 9 May 2018 in accordance with sections 7-7 and 7-8, cf. section 7-3 of the Norwegian Securities Trading Act. The Norwegian FSA has not controlled or approved the accuracy or completeness of the information given in this Prospectus. The approval given by the Norwegian FSA only relates to the Issuer's descriptions pursuant to a pre-defined check list of requirements. The Norwegian FSA has not made any form of control or approval relating to corporate matters described in or otherwise covered by this Prospectus. This Prospectus is valid for a period of 12 months from the date of approval by the Norwegian FSA. The Prospectus has been published in an English version only.

## TABLE OF CONTENTS

1	SUMMARY .....	4
2	RISK FACTORS .....	16
3	PERSONS RESPONSIBLE .....	27
4	THIRD PARTY INFORMATION .....	28
5	INFORMATION CONCERNING THE SECURITIES .....	29
6	INFORMATION ABOUT THE ISSUER AND THE CURRENT GUARANTORS .....	38
7	BUSINESS OVERVIEW .....	43
8	CORPORATE STRUCTURE .....	48
9	ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES .....	50
10	FINANCIAL INFORMATION .....	52
11	LEGAL MATTERS .....	56
12	ADDITIONAL INFORMATION .....	57
13	DOCUMENTS ON DISPLAY .....	58
14	DEFINITIONS .....	59

**APPENDIX 1:** The Bond Agreement

**APPENDIX 2:** Consolidated financial statements for Eagle Bulk Shipco LLC as of and for the year ended 31 December 2017 and 2016 and independent auditors' report

**APPENDIX 3:** Valuation report

# 1 SUMMARY

*Summaries are made up of disclosure requirements known as "Elements". These elements are numbered in Sections A – E (A.1 – E.7).*

*This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".*

## Section A – Introduction and Warnings

<b>A.1</b>	<b>Warning</b>	<p>This summary should be read as an introduction to the Prospectus.</p> <p>Any decision to invest in the Bonds should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the relevant European Union member states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
<b>A.2</b>	<b>Consent to the use of the Prospectus by financial intermediaries</b>	Not applicable; no consent is granted by the Issuer to the use of the Prospectus for subsequent resale or final placement of the Bonds.

## Section B – Issuer

<b>B.1</b>	<b>Legal and commercial name</b>	The legal and commercial name of the Issuer is Eagle Bulk Shipco LLC.
<b>B.2</b>	<b>Domiciles and legal form, legislation and country of incorporation</b>	Eagle Bulk Shipco LLC is a limited liability company incorporated on under the laws of the Republic of the Marshall Islands with registration number 963693.
<b>B.4b</b>	<b>Known trends affecting the Group and the industries in which it operates</b>	<p>The Issuer believes that the following material factors may have effects on the Group's results:</p> <ul style="list-style-type: none"> <li>Changes in national and international economic conditions, including, for example interest rate levels, inflation and employment levels, may influence the valuation of real and financial assets. In turn, this may impact the demand for goods, services and assets globally and thereby the macro economy. The current macroeconomic situation is uncertain and there is a risk of negative developments. Such changes and developments – none of</li> </ul>

	<p>which will be within the control of the Issuer – may negatively impact the Issuer's activities.</p> <ul style="list-style-type: none"> <li>• The values of the Group's vessels are outside of the Issuer's control and depend, among other things, on the global economy, global trade growth, as well as oil and gas prices. On the supply side there are uncertainties tied to ordering of new vessels and scope of future scrapping. The actual residual value of the vessels and/or future contract earnings may be lower than the Issuer estimates.</li> <li>• The technical operation of a vessel has a significant impact on the vessel's economic life. Technical risks will always be present. There can be no guarantee that the parties tasked with operating a vessel or overseeing such operation perform their duties according to agreement or satisfaction. Failure to adequately maintain the technical operation of a vessel may adversely impact the operating expenses of the vessel and accordingly any future potential realization values that can be obtained.</li> <li>• The Group's performance depends heavily on its counterparties' ability to perform their obligations under agreed charter parties. Default by a counterparty of its obligations under its agreements with a Group Company may have adverse consequences for the overall Group. The counterparty's financial strength will thus be very important.</li> <li>• The Group's vessels will operate in a variety of geographic regions. Consequently, the Group may, indirectly through its underlying investments, be exposed to political risk, risk of piracy, corruption, terrorism, outbreak of war, amongst others. The business, financial condition and results of operations of the Group may accordingly be negatively affected if such events do occur.</li> </ul>
<b>B.5 Description of the Group</b>	<p>The Group's operations are carried out by the 28 single purpose limited liability companies registered under the laws of the Republic of the Marshall Islands, each being the sole legal and beneficial owner of one dry bulk vessel and a subsidiary of the Issuer.</p> <p>The Group currently has 2 Ultramax vessels. The term "Ultramax" normally denotes Handymax dry bulk carriers ranging in size from approximately 60,000 to 65,000 deadweight tons ("<b>dwt</b>"). The Group's Ultramax vessels are mainly being used for transports of a broad range of major and minor bulk cargoes around the world, including grains, coal, soy beans and minor bulk commodities.</p> <p>The Group currently has 26 Supramax vessels. The term "Supramax" normally denotes Handymax dry bulk carriers ranging in size from approximately 50,000 to 59,000 dwt. The Group's Supramax vessels are mainly being used for transports of a broad range of major and minor bulk cargoes around the world, including grains, coal, soy beans and minor bulk commodities.</p>
<b>B.9 Profit forecast or estimate</b>	<p>Not applicable. The prospectus does not contain any profit forecasts or estimates.</p>

<b>B.10</b>	<b>Audit report qualifications</b>	Not applicable. There are no qualifications in the audit report.
<b>B.12</b>	<b>Selected historical key financial information</b>	<p>The selected historical key financial information as set out below has been derived from the Group's audited consolidated financial statements for the years ended 31 December 2017 and 2016, prepared in accordance with generally accepted accounting principles in the United States ("US GAAP").</p> <p>There has been no material adverse change in the prospects of the Group since 31 December 2017.</p> <p>Other than the signing of a memorandum of agreement on 23 March 2018 to sell the vessel Thrush for USD 10.9 million after brokerage commissions and associated selling expenses, there have been no significant changes in the financial or trading position of the Group since 31 December 2017. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Issuer expects to recognize a gain of USD 0.4 million.</p>

### Consolidated income statement

The table below sets out selected data derived from the Group's audited consolidated financial statements for the years ended 31 December 2017 and 2016.

	For the Years Ended	
	31 December 2017	31 December 2016
Revenues, net	\$ 109,086,680	\$ 58,606,555
Voyage expenses	22,464,776	16,694,494
Vessel expenses	49,065,948	45,260,462
Depreciation and amortization	20,298,433	26,015,945
General and administrative expenses	16,466,046	12,802,605
Vessel impairment	—	98,646,166
Total operating expenses	108,295,203	199,419,672
Operating income/(loss)	791,477	(140,813,117)
Interest expense	1,677,677	—
Other expense, net	118,964	—
Total other expenses, net	1,796,641	—
Net loss and comprehensive loss	\$ (1,005,164)	\$ (140,813,117)

## Consolidated balance sheet

The table below sets out selected data derived from the Group's audited consolidated financial statements as of 31 December 2017 and 2016.

	31 December 2017	31 December 2016
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 7,744,005	\$ 2,065,925
Accounts receivable	9,869,508	2,202,332
Accounts receivable - related party	41,830	4,736,425
Prepaid expenses	516,845	1,616,853
Inventories	7,174,889	6,086,317
Other current assets	126,837	—
Total current assets	25,473,914	16,707,852
<b>Noncurrent assets:</b>		
Vessels and vessel improvements, at cost, net of accumulated depreciation of \$70,558,905 and \$53,346,808, respectively	366,054,562	363,093,345
Advance for purchase of vessel	—	1,926,886
Deferred drydocking costs, net	6,765,953	7,273,179
Deferred financing costs - Super Senior Revolver Facility	190,000	—
Total noncurrent assets	373,010,515	372,293,410
<b>Total assets</b>	<b>\$ 398,484,429</b>	<b>\$ 389,001,262</b>
<b>LIABILITIES &amp; MEMBER'S EQUITY:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 3,448,101	\$ 3,026,909
Accrued interest	1,566,333	—
Fair value of derivatives	73,170	—
Other accrued liabilities	5,031,517	4,443,050
Unearned charter hire revenue	2,916,029	3,140,003
Current portion of long-term debt - Norwegian Bond Debt	4,000,000	—
Total current liabilities	17,035,150	10,609,962
<b>Noncurrent liabilities:</b>		
Norwegian Bond Debt, net of debt discount and debt issuance costs	189,950,329	—
Total noncurrent liabilities	189,950,329	—
<b>Total liabilities</b>	<b>206,985,479</b>	<b>10,609,962</b>
<b>Commitment and contingencies</b>		
<b>Member's equity:</b>		
Common shares, zero par value, 100 shares authorized and issued	—	—
Paid-in Capital	365,592,997	551,480,183
Accumulated Deficit	(174,094,047)	(173,088,883)
Total Member's equity	191,498,950	378,391,300
<b>Total liabilities and Member's equity</b>	<b>\$ 398,484,429</b>	<b>\$ 389,001,262</b>

## Consolidated cash flow statement

The table below sets out selected data derived from the Group's audited consolidated financial statements for the years ended 31 December 2017 and 2016.

	For the Years Ended	
	31 December 2017	31 December 2016
<b>Cash flows from operating activities:</b>		
Net loss	\$ (1,005,164)	\$(140,813,117)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:		
Depreciation	17,212,097	23,782,074
Amortization of deferred drydocking costs	3,086,336	2,233,871
Amortization of debt discount and debt issuance costs	111,344	—
Management services contributed by the Parent Company	14,825,300	12,771,372
Vessel impairment	—	98,646,166
Net unrealized loss on fair value of derivatives	73,170	—
Drydocking expenditures	(2,579,110)	(3,306,171)
Changes in operating assets and liabilities:		
Accounts receivable	(2,972,581)	(671,011)
Prepaid expenses	1,100,008	(441,231)
Inventories	(1,088,572)	(1,953,399)
Accounts payable	421,192	(344,192)
Accrued interest	1,566,333	—
Other current assets	(126,837)	—
Other accrued liabilities	(355,534)	(386,403)
Unearned revenue	(223,974)	2,591,092
<b>Net cash provided by/(used in) operating activities</b>	<b>30,044,008</b>	<b>(7,890,949)</b>
<b>Cash flows from investing activities:</b>		
Vessel purchases and improvements	(18,246,428)	(19,675,309)
Advance for purchase of vessel	—	(1,926,886)
<b>Net cash used in investing activities</b>	<b>(18,246,428)</b>	<b>(21,602,195)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from the Norwegian Bond Debt, net of discount	198,092,000	—
Other financing costs	(3,499,014)	—
Return of capital to the Parent Company	(223,458,914)	—
Capital contribution from the Parent Company	22,746,428	30,654,663
<b>Net cash provided by financing activities</b>	<b>(6,119,500)</b>	<b>30,654,663</b>
Net increase in cash and cash equivalents	5,678,080	1,161,519
Cash and cash equivalents at beginning of year	2,065,925	904,406
<b>Cash and cash equivalents at end of year</b>	<b>\$ 7,744,005</b>	<b>\$ 2,065,925</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for interest	—	—
Accrued debt issuance costs during the period	\$ 944,000	—



### Consolidated statement of changes in member's equity

The table below sets out selected data derived from the Company's audited consolidated financial statements for the years ended 31 December 2017 and 2016.

	Common shares amount	Paid-in Capital	Accumulated Deficit	Total Member's Equity
Balance at 1 January 2016	\$ —	\$ 508,054,148	\$ (32,275,766)	\$ 475,778,382
Net loss	—	—	(140,813,117)	(140,813,117)
Capital contribution of services by the Parent Company	—	12,771,372	—	12,771,372
Cash capital contribution by the Parent Company	—	30,654,663	—	30,654,663
Balance at 31 December 2016	—	551,480,183	(173,088,883)	378,391,300
Net loss	—	—	(1,005,164)	(1,005,164)
Cash capital distribution to the Parent Company	—	(223,458,914)	—	(223,458,914)
Capital contribution of services by the Parent Company	—	14,825,300	—	14,825,300
Cash capital contribution by the Parent Company	—	22,746,428	—	22,746,428
Balance at 31 December 2017	\$ —	\$ 365,592,997	\$ (174,094,047)	\$ 191,498,950

<b>B.13</b>	<b>Recent events particular to the Group which are to a material extent relevant to the evaluation of the Group's solvency</b>	There have been no recent events particular to the Issuer or the Guarantors which are to a material extent relevant to the evaluation of the Group's solvency.
<b>B.14</b>	<b>The Issuer's position within the Group</b>	<p>EB Shipco is a wholly owned subsidiary of Eagle Bulk Shipping Inc., a company incorporated under the laws of the Republic of the Marshall Islands with registration number 14155 (the "<b>Parent</b>", and together with its consolidated subsidiaries, the "<b>Parent Group</b>"). The Parent's common shares are listed and traded on NASDAQ under the symbol "EGLE".</p> <p>The Issuer and its subsidiaries (the "<b>Group</b>") are all Marshall Island companies operating within the dry bulk shipping market with focus on the Supramax/Ultramax mid-size asset class. The Group's operations are handled by Eagle Bulk Management LLC, a limited liability company existing under the laws of the Republic of the Marshall Islands, with offices in Singapore and Hamburg in addition to Stamford, Connecticut.</p>
<b>B.15</b>	<b>Principal activities of the Group</b>	The Issuer and its subsidiaries engage in shipping from their principal corporate office in Stamford, Connecticut and operate within the dry

	bulk shipping market with focus on the Supramax/Ultramax mid-size asset class. As at the date of this Prospectus, the Group's fleet consists of 28 vessels, including 2 Ultramax and 26 Supramax vessels. The Group has offices in Stamford, Singapore and Hamburg.
<b>B.16 Controlling interests in EB Shipco</b>	As of the date of this Prospectus, Eagle Bulk Shipping Inc. owns all issued and outstanding shares in EB Shipco. As the sole owner of the shares in EB Shipco, the Parent has decisive influence of the outcome of matters submitted for the vote of the shares in the Issuer. The Issuer is not aware of any arrangements in place to ensure that the Parent's control is not abused, nor of any arrangements, the operation of which may at a subsequent date result in a change in control of EB Shipco.
<b>B.17 Credit ratings</b>	Not applicable. No credit ratings have been assigned to EB Shipco or the Bonds at the request of or with the cooperation of the Issuer in the rating process.
<b>B.18 Guarantee</b>	The Bonds are guaranteed by the subsidiaries of the Issuer.

#### Section C – Securities

<b>C.1 Type and the class of securities</b>	<p>The Bonds constitute unsubordinated and secured senior debt obligations of the Issuer. The Bonds rank <i>pari passu</i> between themselves and rank at least <i>pari passu</i> with all other obligations of the Issuer (except in respect of claims mandatorily preferred by law), and, subject to the super senior status of the Revolving Credit Facility. The RCF Creditors, as defined in Clause 1.1 of the Bond Agreement, will receive (i) the proceeds from any enforcement of the Security and the Guarantees and certain distressed disposals and (ii) any payments following any other enforcement event in respect of any shared Security, prior to the Bondholders and the Bond Trustee, but otherwise rank <i>pari passu</i> in right of payment with the Bonds, in accordance with the waterfall provisions of the Intercreditor Agreement, subject to obligations which are mandatorily preferred by law.</p> <p>The Bonds are electronically registered in book-entry form with the Central Securities Depository of Norway (Nw.: <i>Verdipapirsentralen ASA</i>) ("CSD").</p>
<b>C.2 Currency of securities issue</b>	The Bonds have been issued in USD and will be quoted and traded in USD.
<b>C.5 Restrictions on transfer</b>	Bondholders located in the United States will not be permitted to transfer the Bonds except (a) to the Issuer, (b) pursuant an effective registration statement under the Securities Act, (c) to a person that the Bondholder reasonably believes is a QIB that is purchasing for its own account, or the account of another QIB, in a transaction meeting the requirements of Rule 144A, (d) to a non-U.S. person in an offshore transaction satisfying the requirements of Rule 904 of Regulation S under the Securities Act, including in a transaction on the Oslo Børs, and (e) pursuant to any other exemption from registration under the Securities Act, including Rule 144 thereunder (if available).

		<p>Further, certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time. Neither the Issuer nor the Bond Trustee shall be responsible to ensure compliance with such laws and regulations and each Bondholder is responsible for ensuring compliance with the relevant laws and regulations at its own cost and expense.</p> <p>A Bondholder who has purchased Bonds in breach of applicable restrictions may, notwithstanding such breach, benefit from the rights attached to the Bonds pursuant to these Bond Terms (including, but not limited to, voting rights), provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.</p>
C.8	Rights of the Bonds	See Element C.1 above.
C.9	Key terms of the Bonds	<p>Issuer: Eagle Bulk Shipco LLC</p> <p>Guarantors: Singapore Eagle LLC, Stamford Eagle LLC, Sandpiper Shipping LLC, Roadrunner Shipping LLC, Puffin Shipping LLC, Petrel Shipping LLC, Owl Shipping LLC, Oriole Shipping LLC, Thrush Shipping LLC,<sup>1</sup> Thrasher Shipping LLC, Egret Shipping LLC, Crane Shipping LLC, Canary Shipping LLC, Bittern Shipping LLC, Stellar Eagle Shipping LLC, Crested Eagle Shipping LLC, Crowned Eagle Shipping LLC, Jaeger Shipping LLC, Cardinal Shipping LLC, Kestrel Shipping LLC, Skua Shipping LLC, Shrike Shipping LLC, Tern Shipping LLC, Osprey Shipping LLC, Goldeneye Shipping LLC, Merlin Shipping LLC, Condor Shipping LLC and Hawk Shipping LLC.</p> <p>Securities: 8.250% senior secured USD 200,000,000 bonds 2017/2022</p> <p>Outstanding Amount: USD 200,000,000</p> <p>Currency: USD</p> <p>Issue Date: 28 November 2017</p> <p>Maturity Date: 28 November 2022 (subject to the Business Day Convention)</p> <p>Ranking: See Element B.17.</p> <p>Interest Payment Dates: The last day of each Interest Period, the first Interest Payment Date being 29 May 2018 and the last Interest Payment Date being the Maturity Date.</p> <p>Interest Rate: 8.250% per annum</p> <p>Initial Nominal Amount: USD 1.00.</p> <p>Amortisation: The Bonds will be repaid by the Issuer on each Interest Payment Date, from and including 28 November 2018, in an amount of USD 4,000,000 at 100% of the Nominal Amount (plus accrued interest on redeemed Bonds). Any remaining Outstanding Bonds will be redeemed in full on the Maturity Date at a price equal to 100% of the Nominal Amount (plus accrued interest on redeemed Bonds).</p>
C.10	Derivative component in	Not applicable. The Bonds bear fixed interest at the rate of 8.250% per

<sup>1</sup> On 23 March 2018, the Issuer signed a memorandum of agreement to sell the vessel Thrush for USD 10.9 million after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Issuer expects to recognize a gain of USD 0.4 million.

	<b>the interest payments on the Bonds</b>	annum.
<b>C.11</b>	<b>Admission to trading of the Bonds</b>	EB Shipco will apply to list the Bonds on the Oslo Stock Exchange.

#### Section D – Risks

<b>D.2</b>	<b>Key risks specific to the Group</b>	<p><b>Risks related to the business of the Group, including:</b></p> <ul style="list-style-type: none"> <li>• The dry bulk shipping industry is cyclical with high volatility in charter hire rates and profitability. If charter rates in the dry bulk market decline significantly for any significant period, this may adversely affect the Group's earnings, revenue and profitability.</li> <li>• Any future downturn in the global economic environment may negatively impact the Group's business.</li> <li>• The state of global financial markets and economic conditions may adversely impact the Issuer's ability to refinance its debt on acceptable terms if needed.</li> <li>• Changes in the economic and political environment in China and policies adopted by the government to regulate its economy may have a material adverse effect on the Group's business, financial condition and results of operations.</li> <li>• Compliance with safety and other vessel requirements imposed by classification societies may be very costly and may adversely affect the Group's business.</li> <li>• The Group is subject to complex laws and regulations, including environmental regulations that can adversely affect the cost, manner or feasibility of doing business.</li> <li>• The Group is dependent on spot charters and any decrease in spot charter rates in the future may adversely affect its earnings and ability to make scheduled payments or meet financial covenants under the Bond Agreement or other indebtedness.</li> <li>• Further declines in charter rates and vessel values could cause the Group to incur impairment charges.</li> <li>• If the Group's vessels call on ports located in countries or territories that are subject to sanctions imposed by the UN, the United States, the EU or other relevant authorities, or if the Group otherwise is found to be in violation of sanctions, there could be an adverse effect on the Group's reputation, business position, financial condition or results of operations.</li> <li>• Past apparent violations of U.S. sanctions regulations may have a material impact on the Group's financial condition or results of operations.</li> <li>• The Group is subject to international safety regulations and the failure to comply with these regulations may, subject the Group to increased liability, adversely affect its insurance coverage and may result in a denial of access to, or detention in, certain ports.</li> <li>• Increased inspection procedures and tighter import and export controls could increase costs and disrupt the Group's business.</li> </ul>
------------	--	--

	<ul style="list-style-type: none"> <li>• Arrests of the Group's vessels by maritime claimants could cause a significant loss of earnings for the related off-hire period.</li> <li>• Failure to comply with applicable anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act of 1977 or the U.K. Bribery Act of 2010, could result in fines, criminal penalties, damage to the Group's reputation and contract terminations and could have an adverse effect on the Group's business and results of operations.</li> </ul> <p><b>Risks related to the Group, including:</b></p> <ul style="list-style-type: none"> <li>• The failure of the Group's charterers to meet their obligations under time charter, on which the Group depends for substantially all of its revenues, or voyage charter agreements could cause the Group to suffer losses or otherwise adversely affect the Group's business and ability to comply with covenants in the Bond Agreement and/or other any financing agreements.</li> <li>• The Group may not be able to compete for charters with new entrants or companies with greater resources.</li> <li>• The aging of the fleet may result in increased operating costs in the future.</li> <li>• Technological innovation could reduce the Group's charter hire income and the value of its vessels.</li> <li>• The Group may be subject to litigation that, if not resolved in its favour and not sufficiently insured against, could have a material adverse effect on the Group.</li> <li>• The Issuer depends on the ability of its subsidiaries to distribute funds to it in order to satisfy its financial obligations.</li> <li>• The Group's investments in derivative instruments, such as forward freight and swap agreements, could result in losses.</li> </ul>
<p><b>D.3 Key risks specific to the securities</b></p>	<p><b>Risks related to the Bonds, including:</b></p> <ul style="list-style-type: none"> <li>• Under the terms of the Bond Issue the Issuer is permitted to incur liabilities that will rank senior in priority to the Bonds, including, inter alia, revolving credit facilities. The Inter creditor Agreement contains certain provisions regulating instruction rights over the security agent, including instructions as to enforcement.</li> <li>• Mandatory prepayment events may lead to a prepayment of the Bonds in circumstances where an investor may not be able to reinvest the prepayment proceeds at an equivalent rate of interest.</li> <li>• Bankruptcy and insolvency proceedings may prove difficult depending on which jurisdiction proceedings are opened in, and the Issuer's liabilities in respect of the Bonds may rank junior to certain of the Issuer's debts including the super senior revolving credit facility.</li> <li>• The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Group's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by</li> </ul>

	<p>securities analysts and the actual or expected sale of a large number of Bonds, as well as other factors.</p> <ul style="list-style-type: none"> <li>• The Bondholders will be subject to restrictions on transfers of the Bonds.</li> <li>• The terms and conditions of the Bond Agreement will allow for modification of the Bonds or security, waivers or authorizations of breaches and substitution of the Issuer which, in certain circumstances, may be affected without the consent of Bondholders.</li> <li>• The value of the collateral securing the Bonds may not be sufficient to satisfy the Issuer's obligations under the Bonds.</li> <li>• Following a default, the Bond Trustee may not be able to realize any or all of the security.</li> <li>• Inadequacies or failures in perfecting the security may result in the loss of the security interest in the collateral or conflicting claims of Bondholders.</li> <li>• Maritime liens may arise and take priority over the liens securing the Bonds.</li> <li>• The Issuer's ability to make scheduled payments on or to refinance its obligations under, the Bonds will depend upon the Issuer's financial and operating performance, which, in turn, will be subject to prevailing economic and competitive conditions and to financial and business factors, many of which may be beyond the Issuer's control.</li> <li>• The Issuer may have to rely on payments from the Parent to redeem the Bonds and the Parent may not be able or willing to make payments to the Issuer.</li> <li>• The Parent has no or limited liability and all of the Parent's subsidiaries, other than the Issuer and the Guarantors, have no liability for the Bonds.</li> <li>• The terms and conditions of the Bond Agreement impose significant operating and financial restrictions, which may prevent the Issuer from capitalizing on business opportunities and taking some actions.</li> <li>• The price of the Bonds is subject to risks of interest rate and currency fluctuation.</li> <li>• Significant changes in exchange rates may have a material adverse effect on the value of the principal payable on the Bonds.</li> <li>• The Bonds may be subject to optional redemption by the Issuer, which may have a material adverse effect on the value of the Bonds, and in such circumstances an investor may not be able to reinvest the redemption proceeds at an equivalent rate of interest.</li> <li>• The enforcement of rights as a Bondholder across multiple jurisdictions may prove difficult. Furthermore, in the event any Bondholder's rights as a bondholder have been infringed, it may be difficult to enforce judgments against the Issuer or its respective directors or management.</li> </ul>
--	--

	<ul style="list-style-type: none"> <li>• The terms and conditions of the Bonds are governed by Norwegian law and the terms and conditions of the security documents are inter alia governed by Norwegian, English, Marshall Islands and U.S. law. No assurance can be given as to the impact of any possible judicial decision or change to such laws or administrative practices.</li> <li>• The valuation report included in Appendix 3 to this Prospectus has been provided by Braemar ACM Valuations Limited. Although Braemar ACM Valuations Limited believes that the valuations and particulars are reasonably accurate, all statements made are statements of opinion and are not to be taken as representations of fact. The valuations are for general information and have not been produced for any specific purpose. No assurance is given as to the suitability of the valuations for use in relation any specific project or transaction. Any party contemplating entering a transaction should satisfy themselves by inspection of the vessels or otherwise as to the correctness of the statements and assumptions which the valuations contain. It must be appreciated that ship values can be very volatile, unstable and irregular. Information on comparable transactions and market demand can also be very limited. These circumstances should be considered by anyone contemplating entering a transaction. Braemar ACM Valuations Limited has not made a physical inspection of the vessels, nor has it inspected the vessels' classification records, but it has assumed for the purposes of the valuations, that the vessels are in good and seaworthy conditions.</li> <li>• Insolvency proceedings are likely to include the laws of the Marshall Islands and the United States, and the insolvency proceedings may be complex, time consuming and result in substantial reduction in payments to holders of the Bonds</li> </ul>
--	--

#### Section E – Offer

<b>E.2b</b>	<b>Reasons for the issuance of Bonds and use of proceeds</b>	Not applicable. There will be no public offering of Bonds.
<b>E.3</b>	<b>Terms and conditions of the offer</b>	Not applicable. There will be no public offering of Bonds.
<b>E.4</b>	<b>Material and conflicting interests</b>	Not applicable. There will be no public offering of Bonds.
<b>E.7</b>	<b>Estimated expenses charged to the investor</b>	Not applicable. There will be no public offering of Bonds.

## 2 RISK FACTORS

### 2.1 General

*An investment in the Bonds involves inherent risks. Before making an investment decision with respect to the Bonds, investors should carefully consider the risk factors and all information contained in this Prospectus, including the financial statements and related notes. The risks and uncertainties described in this Section 2 are the principal known risks and uncertainties faced by the Issuer and its subsidiaries (the "Group") as at the date hereof that the Issuer believes are relevant to an investment in the Bonds. An investment in the Bonds is suitable only for investors who understand the risks associated with this type of investment and who can afford a loss of all or part of their investment. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described are not a genuine potential threat to an investment in the Bonds. If any of the following risks were to materialise, individually or together with other circumstances, they could have a material adverse effect on the Group and/or its business, results of operations, cash flow and financial condition and/or prospects, which may cause a decline in the value and trading price of the Bonds, resulting in the loss of all or part of an investment in the same.*

*The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, results of operations, cash flow, financial condition and/or prospects. The risks mentioned herein may materialise individually or cumulatively. The information in this Section 2 is as at the date of this Prospectus.*

### 2.2 Risks relating to the dry bulk industry and market conditions

#### ***Highly cyclical nature of the dry bulk shipping industry***

The dry bulk shipping industry is cyclical with high volatility in charter hire rates and profitability, and charter hire rates have declined since their historic highs. If charter rates in the dry bulk market decline significantly for any significant period, this may adversely affect the Group's earnings, revenue and profitability. The volatility of the dry bulk shipping industry is to a large extent caused by factors outside the Group's control.

***A decrease in the level of export of goods or an increase in trade protectionism or economic nationalism could have a material adverse impact on the Group's charterers' business and, in turn, could cause a material adverse impact on the Group's results of operations, financial condition and cash flows.***

Such decrease and increase respectively may impact charter hire rates, potentially affecting the Group's business and financial condition.

***Any future downturn in the global economic environment may negatively impact the Group's business.***

Decreasing demand for dry bulk cargoes could lower demand for dry bulk vessels, which combined with increased supply of dry bulk vessels could create downward pressure on charter rates. A future downturn in the global economic environment could lead to the pressure on charter rates, which could negatively affect the Group.

***The state of global financial markets and economic conditions may adversely impact the Issuer's ability to refinance its debt on acceptable terms if needed.***

If necessary refinancing is not available in the case of a downturn, or is available only on unacceptable terms, the Group may be unable to meet its obligations as they come due.

***Changes in the economic and political environment in China and policies adopted by the government to regulate its economy may have a material adverse effect on the Group's business, financial condition and results of operations.***



The Chinese economy has since 1978 gradually shifted away from a planned economy, towards increased emphasis on the utilization of market forces. If the Chinese government does not continue to pursue a policy of economic reform, the level of imports to and exports from China could be adversely affected which in turn could negatively impact the Group's operating results and financial condition.

***Fuel cost, or bunker prices, may adversely affect the Group's profits.***

While the Group generally does not bear the cost of fuel or bunkers for vessels operating on time charters, fuel is a significant factor in negotiating charter rates. As a result, an increase in the price of fuel may adversely affect the Group's profitability upon negotiating charter parties. Furthermore, fuel is a significant, if not the largest, expense in the Group's shipping operations when vessels are under voyage charter and consequently an increase in fuel prices may adversely affect profits from such charters.

***Compliance with safety and other vessel requirements imposed by classification societies may be very costly and may adversely affect the Group's business.***

Every commercial vessel must be classed by a classification society and surveyed on a regular basis. Classification and surveys may result in significant expenses which will affect the Group's profits and business. If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will may be unable to trade between ports and will be unemployable and uninsurable, which could negatively impact the Group's results of operations and financial condition.

***The Group is subject to complex laws and regulations, including environmental regulations that can adversely affect the cost, manner or feasibility of doing business.***

The Group's operations are subject to numerous national and international regulations which may significantly affect the cost and risk of ownership and operation of its vessels. These regulations include, but are not limited to: U.S. Oil Pollution Act of 1990; the Comprehensive Environmental Response, Compensation and Liability Act; the U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990); the U.S. Clean Water Act; the Maritime Transportation Security Act of 2002; requirements of the United States Coast Guard; requirements of the U.S. Environmental Protection Agency; regulations of the International Maritime Organization ("IMO"), including the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, as from time to time amended including designation of Emission Control Areas thereunder; the International Convention for the Safety of Life at Sea, as from time to time amended; the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention; the International Convention on Load Lines of 1966, as from time to time amended; the IMO International Convention on Civil Liability for Oil Pollution Damage of 1969, as from time to time amended and replaced by the 1992 protocol; the IMO International Convention on Civil Liability for Bunker Oil Pollution Damage of 2001; and EU regulations. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of the Group's operations.

***The Group is dependent on spot charters and any decrease in spot charter rates in the future may adversely affect its earnings and ability to make scheduled payments or meet financial covenants under the Bond Agreement or other indebtedness.***

The spot market is very volatile, and, in the past, there have been periods when spot rates have declined below the operating cost of vessels. A decrease in spot charter rates may adversely affect the Group's business.

***Further declines in charter rates and vessel values could cause the Group to incur impairment charges.***

The Group evaluates the carrying amounts of its vessels to determine if events have occurred that would require an impairment of their carrying amounts. Declines in charter rates and vessel values may represent such events and could therefore cause the Group to incur impairment charges. Impairment charges may cause the Issuer to breach covenants, and declines in charter rates may render the Issuer unable to pay interest due on the Bonds.

***World events, including terrorist attacks and international hostilities could affect the Group's results of operations and financial condition.***

Terrorist attacks, the threat of future terrorist attacks and political instability continue to cause uncertainty in the world's financial markets. This and other world events may affect the Group's operating results and financial condition in various ways.

***Acts of piracy on ocean-going vessels may have an adverse effect on the Group's business.***

Although the frequency of sea piracy worldwide has decreased in recent years, piracy incidents continue to occur. Dry bulk vessels and tankers are particularly vulnerable to such attacks. The Group may not be adequately insured to cover losses from these incidents or face increased insurance premiums, which may have a material adverse impact on the Group. The Group may also incur additional costs in connection with the engagement of security personnel to protect its crew and vessels. In addition, any detention or hijacking as a result of an act of piracy against the Group's vessels, or an increase in cost, or unavailability, of insurance for the Group's vessels, could have a material adverse impact on the Group's business, financial condition and results of operations.

***If the Group's vessels call on ports located in countries or territories that are subject to sanctions imposed by the UN, the United States, the EU or other relevant authorities, or if the Group otherwise is found to be in violation of sanctions, there could be an adverse effect on the Group's reputation, business position, financial condition or results of operations.***

Although the Group intends to maintain compliance with all applicable economic sanctions and trade embargo laws and regulations, there can be no assurance that, notwithstanding its compliance safeguards, the Group will not be found in the future to have been in violation, particularly as the sanctions and embargo laws and regulations are amended, the scope of certain laws and regulations may be unclear, and laws and regulations are subject to strict liability and are subject to discretionary interpretations by regulators which may change over time.

***Past apparent violations of U.S. sanctions regulations may have a material impact on the Group's financial condition or results of operations.***

As disclosed in the Parent Form 10-K in November 2015, the Parent Group filed a voluntary self-disclosure report regarding certain apparent violations of U.S. sanctions regulations in the provision of shipping services for third party charterers with respect to the transportation of cargo to or from Myanmar. At the time of such apparent violations, the Parent had a different senior operational management team. There can be no assurance that the Office of Foreign Assets Control ("OFAC") will not conclude that these past actions warrant the imposition of civil penalties and/or referral for further investigation by the U.S. Department of Justice. The report was provided to OFAC for the agency's review, consideration and determination regarding what action, if any, may be taken in resolution of this matter. The Parent Group will continue to cooperate with the agency regarding this matter and cannot estimate when such review will be concluded. While the ultimate impact of these matters cannot be determined, there can be no assurance that the impact will not be material to the Group's financial condition or results of operations.

***The Group is subject to international safety regulations and the failure to comply with these regulations may, subject the Group to increased liability, adversely affect its insurance coverage and may result in a denial of access to, or detention in, certain ports.***

The operation of the Group's vessels is affected by future environmental and safety requirements, including the requirements set forth in the International Maritime Organisation Code (the "ISM Code"). A failure of the Group to comply with the ISM Code may subject it to increased liability, invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports, which may adversely affect the Group's revenues. In addition, vessel classification societies also impose significant safety and other requirements on the Group's vessels, and the Group may also

incur significant additional costs in meeting new maintenance and inspection requirements. Government regulation of vessels, particularly in the areas of safety and environmental requirements, can be expected to become stricter in the future and require the Group to incur significant capital expenditures on its vessels to keep them in compliance. Furthermore, the operation of the Group's vessels is affected by other government regulation in the form of international conventions, national, state and local laws and regulations in force in the jurisdictions in which the vessels operate, as well as in the country or countries of their registration. Because such conventions, laws, and regulations are often revised, the Group cannot predict the ultimate cost of complying with such conventions, laws and regulations or the impact thereof on the resale prices or useful lives of the Group's vessels. Additional conventions, laws and regulations may be adopted which could limit our ability to do business or increase the cost of the Group's doing business and which may materially adversely affect the Group's operations. Accordingly, compliance with current and future environmental and safety requirements may cause significant additional costs to the Group and failure to meet such requirements may adversely affect the Group in various ways.

***Increased inspection procedures and tighter import and export controls could increase costs and disrupt the Group's business.***

It is possible that changes to inspection procedures could impose additional financial and legal obligations on the Group and on its customers. This may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical.

***Arrests of the Group's vessels by maritime claimants could cause a significant loss of earnings for the related off-hire period.***

Suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied claims and, subject to certain procedures, to arrest the vessel. Such arrest could result in a significant loss of earnings for the related off-hire period under any charter party to which the vessel is subject.

***Risks associated with operating ocean going vessels could affect the Group's business and reputation, which could adversely affect the Group's revenues.***

The operation of ocean going vessels carries inherent risks such as marine disaster, environmental accidents, cargo and property losses or damage and business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labour strikes or adverse weather conditions. If any of these risks materialise the Group may suffer, inter alia, loss of income and/or incur extra costs. These risks may not be possible to insure against, or, as the case may be, not be adequately insured. The materialisation of such risks may also lead to increases in deductibles and premiums under the Group's insurance coverage.

***Governments could requisition the Group's vessels during a period of war or emergency, resulting in a loss of earnings.***

Although the Group would be entitled to compensation in the event of a requisition, the amount and timing of payment would be uncertain and a requisition might therefore negatively impact the Group's revenues.

***Failure to comply with applicable anti-corruption laws and regulations, including the U.S. Foreign Corrupt Practices Act of 1977 or the U.K. Bribery Act of 2010, could result in fines, criminal penalties, damage to the Group's reputation and contract terminations and could have an adverse effect on the Group's business and results of operations.***

The Group has adopted a code of business conduct and ethics which is consistent and in full compliance with the FCPA. Nevertheless, the Group operates in a number of countries throughout the world, including some with developing economies, which puts the Group in contact with persons who may be considered to be "foreign officials" under the U.S. Foreign Corrupt Practices Act of 1977 or the FCPA, the Bribery Act of 2010 of the

United Kingdom or the U.K. Bribery Act, or other applicable local anti-bribery laws or regulations. The Group's activities may involve interaction by the Group's agents with government officials. Even though some of the Group's agents and partners may not themselves be subject to the FCPA, the U.K. Bribery Act or other anti-bribery laws to which the Group may be subject, if the Group's agents or partners make improper payments to government officials or other persons in connection with engagements or partnerships with the Group, the Group could be investigated and potentially found liable for violations of such anti-bribery laws and could incur civil and criminal penalties and other sanctions, which could have a material adverse effect on the Group's business and results of operation. The Group is subject to the risk that the Group or its affiliated companies or the Group's respective officers, directors, employees and agents may take actions determined to be in violation of anti-corruption laws, including the FCPA and the U.K. Bribery Act. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties, curtailment of operations in certain jurisdictions, and might adversely affect the Group's business, results of operations or financial condition. In addition, actual or alleged violations could damage the Group's reputation and ability to do business.

### **2.3 Risks related to the Group's operations**

***The failure of the Group's charterers to meet their obligations under time charter, on which the Group depends for substantially all of its revenues, or voyage charter agreements could cause the Group to suffer losses or otherwise adversely affect the Group's business and ability to comply with covenants in the Bond Agreement and/or other any financing agreements.***

The ability of each of the Group's counterparties to perform its obligations under a time charter or voyage charter agreement will depend on a number of factors beyond the Group's control including general economic conditions and the condition of the dry bulk industry. Lack of performance may adversely affect the Group's business and ability to comply with covenants in the Bond Agreement and/or other financing agreements.

***The Parent Group may have difficulty managing its planned growth properly and integrating newly acquired vessels.***

The acquisition and management of newly acquired vessels impose significant responsibilities on the Parent Group's management and staff. No assurance can be given that the Parent Group will be successful in executing its planned growth, which in turn may lead to significant expenses and losses for the Group in connection with any future growth.

***The Group may from time to time depend upon a few significant customers for a large part of its revenues.***

Although the Group currently does not have any single customers from whom it receives more than 10% of its revenues, it may from time to time in the future derive a significant part of the Group's revenues from a small number of charterers. The loss of one or more of these customers could adversely affect the Group's financial performance.

***The Group may not be able to compete for charters with new entrants or companies with greater resources.***

In the highly competitive international shipping industry, the Group may not be able to compete for charters with new entrants or companies with greater resources, and as a result, the Group may be unable to employ its vessels profitably. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than the Group and may be able to offer competitive advantages to the market.

***The Parent Group may be unable to attract and retain key personnel responsible for managing the Group's operations and other key employees.***

The Parent Group may be unable to attract and retain key management personnel and other employees in the shipping industry, which may negatively impact the effectiveness of the management of the Group and its results of operations. The Group's success is linked to the Parent Group's ability to retain key members of the

management team and to hire new members as may be necessary. The loss of any of these individuals could adversely affect the Group's business prospects and financial condition. Difficulty in hiring and retaining replacement personnel could have a similar effect.

***The aging of the fleet may result in increased operating costs in the future.***

The aging of the Group's fleet may result in increased operating costs in the future, which could adversely affect the Group's earnings. The cost of maintaining a vessel in good operating condition generally increases with the age of the vessel. Furthermore, older vessels are typically less fuel efficient and more costly to maintain.

***Technological innovation could reduce the Group's charter hire income and the value of its vessels.***

The charter hire rates are impacted by the vessel's efficiency, thus if new dry bulk carriers are built that are more efficient or more flexible than the Group's vessels, competition from these could adversely affect the Group's business.

***The Group may be subject to litigation that, if not resolved in its favour and not sufficiently insured against, could have a material adverse effect on the Group.***

The Group may be, from time to time, involved in various litigation matters. These matters may include contract disputes, personal injury claims, environmental claims or proceedings, tort claims, employment matters, governmental claims for taxes or duties, and other litigation that arises in the ordinary course of the Group's business. Depending on the outcome, such litigation matters may have a material adverse effect on the Group.

***The Issuer depends on the ability of its subsidiaries to distribute funds to it in order to satisfy its financial obligations.***

The Issuer has no significant assets other than the equity interests in its subsidiaries. As a result, the Issuer's ability to satisfy its financial obligations under the Bond Agreement and/or other financial agreements depends on its subsidiaries and their ability to distribute funds to it.

***Investment in derivative instruments, such as forward freight and swap agreements, could result in losses.***

From time to time, the Group may take positions in derivative instruments, including FFAs and rate swaps. The Group's strategies relating to such derivative instruments may not be effective, in which case the Group may incur substantial losses.

***The Group conducts business in jurisdictions where the legal system is not fully developed and has inherent uncertainties that could limit the legal protections available to the Group.***

Some of the Group's vessels may call at ports or be chartered to customers in jurisdictions that lack fully developed legal systems. Thus, the Group's vessels may be subject to new and existing regulations in such jurisdictions. Such regulations may entail new or additional compliance measures or other administrative costs.

## **2.4 Risks related to the Bonds**

***Under the terms of the Bond Issue the Issuer is permitted to incur liabilities that will rank senior in priority to the Bonds, including, inter alia, revolving credit facilities. The intercreditor agreement entered into in connection with the Bond Issue (the "Intercreditor Agreement") contains certain provisions regulating instruction rights over the security agent, including instructions as to enforcement.***

Upon certain conditions being met, such instruction right may be held entirely by a defined majority of the revolving credit facility creditors (whose claims will rank senior to the Bonds with respect to enforcement proceeds). Such other creditors may have conflicting interests with the Bondholders in a default and enforcement scenario, including an incentive to take enforcement steps which may be detrimental to the value of the Bonds.

In general and in these situations in particular, there can be no assurance that any enforcement proceeds will be sufficient to cover the prior ranking creditors or the claims under and in relation to the Bonds.

***Mandatory prepayment events may lead to a prepayment of the Bonds in circumstances where an investor may not be able to reinvest the prepayment proceeds at an equivalent rate of interest.***

In accordance with the terms and conditions of the Bond Agreement, the Bonds are subject to mandatory prepayment by the Issuer on the occurrence of certain specified events. Following any early redemption after the occurrence of a mandatory prepayment event, it may not be possible for Bondholders to reinvest such proceeds at an effective interest rate as high as the interest rate on the Bonds and may only be able to do so at a significantly lower rate. It is further possible that the Issuer will not have sufficient funds at the time of the mandatory prepayment event to make the required redemption of Bonds.

***Bankruptcy and insolvency proceedings may prove difficult depending on which jurisdiction proceedings are opened in, and the Issuer's liabilities in respect of the Bonds may rank junior to certain of the Issuer's debts including the super senior revolving credit facility.***

As a general matter, the Issuer's liabilities in respect of the Bonds may, in the event of a bankruptcy or insolvency proceeding or similar proceeding, rank junior to certain of such Issuer's debts that may be entitled to priority under the laws of the relevant jurisdiction. A bankruptcy may, depending on which jurisdiction the proceedings are opened in, stay or temporarily prevent any enforcement proceedings of the Bondholders.

***There may only be a limited trading market for the Bonds.***

No assurance can be given regarding the future maintenance of a trading market for the Bonds. Without an active trading market, the price and liquidity of the Bonds may be adversely affected. Potential investors should note that it may become difficult or even impossible to trade and sell the Bonds in the secondary market.

***The market price of the Bonds may be volatile.***

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Group's operating results and those of its competitors, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Bonds, as well as other factors. The Bonds may trade at a discount from their value on the date investors acquired them, depending upon prevailing interest rates, the market for similar bonds and the factors described above.

***The Bondholders will be subject to restrictions on transfers of the Bonds.***

Bondholders located in the United States will not be permitted to transfer the Bonds except (a) to the Issuer, (b) pursuant to an effective registration statement under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), (c) to a person that the Bondholder reasonably believes is a qualified institutional buyer ("**QIB**") within the meaning of Rule 144A under the Securities Act ("**Rule 144A**"), that is purchasing for its own account, or the account of another QIB in a transaction meeting the requirements of Rule 144A, (d) to a non-"U.S. person" in an "offshore transaction" (each as defined in Rule 902 of Regulation S under the Securities Act) satisfying the requirements of Rule 904 of Regulation S under the Securities Act, including, in a transaction on the Oslo Børs, and (e) pursuant to any other exemption from registration under the Securities Act, including Rule 144 thereunder (if available). Bondholders may further be subject to purchase and transfer restrictions with regards to the Bonds, as applicable from time to time under local laws to which a Bondholder may be subject (e.g. due to its nationality, its residency, its registered address, its place(s) for doing business, etc.). Each Bondholder must ensure compliance with local laws and regulations applicable at own cost and expense.

***The terms and conditions of the Bond Agreement will allow for modification of the Bonds or security, waivers or authorizations of breaches and substitution of the Issuer which, in certain circumstances, may be affected without the consent of Bondholders.***

The Bond Agreement contains provisions for calling meetings of Bondholders. These provisions permit defined majorities to bind all Bondholders. The Bond Trustee may, without the consent of the Bondholders, agree to certain modifications of the Bond Agreement and other finance documents which, in the opinion of the Bond Trustee, are proper to make.

***Legal investment considerations may restrict certain investments.***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Bonds are legal investments for it, (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or use of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

***The value of the collateral securing the Bonds may not be sufficient to satisfy the Issuer's obligations under the Bonds.***

There can be no assurance that the Bond Trustee will be able to sell any of the security for the Bond Issue without delays (or even at all) or that the proceeds obtained will be sufficient to pay all of the secured obligations. Neither the Issuer nor the Guarantors have any obligation to pledge additional vessels or assets to secure the Bonds in the event the Bonds become under-secured. If this were to coincide with the time in which the collateral was sold to satisfy payment obligations on the Bonds, there may be insufficient proceeds from such sales to satisfy all payment obligations due under the Bonds.

***Following a default, the Bond Trustee may not be able to realize any or all of the security.***

It may be difficult or even impossible for the Bond Trustee to enforce the security. In particular, the enforcement of vessel mortgages can be complicated. For example, it can be difficult to locate a Security Vessel without the assistance of a specialist agency, or problematic to enforce the mortgage as it would be subject to the laws of the place where the vessel is situated at the time of enforcement.

***Failures or inadequacies in perfecting security.***

It is possible that inadequacies or failures in perfecting the security may arise. Such inadequacies or failures may result in the loss of the security interest in the collateral or conflicting claims of Bondholders.

***Maritime liens may arise and take priority over the liens securing the Bonds.***

The laws of jurisdictions in which a Security Vessel is registered, travels through on mobilization or operates may give rise to the existence of maritime or other liens which may take priority over the security securing the Bonds, including any mortgages.

***The Issuer's ability to service its indebtedness depends on many factors beyond its control.***

The Issuer's ability to make scheduled payments on or to refinance its obligations under the Bonds will depend upon the Issuer's financial and operating performance, which, in turn, will be subject to prevailing economic and competitive conditions and to financial and business factors, many of which may be beyond the Issuer's control.

***The Issuer may have to rely on payments from the Parent to redeem the Bonds and the Parent may not be able or willing to make payments to the Issuer.***

The Issuer may not be able to obtain sufficient revenue or external financing in order to pay interest and redeem the Bonds. In such event, the Issuer will rely on transfers from the Parent and/or other companies within the

Parent Group. However, the Parent or such company within the Parent Group may not have sufficient funds or willingness to provide such payments. The breach of the Issuer's payment obligations could result in an event of default under the Bond Agreement.

***The Parent has no or limited liability and all of the Parent's subsidiaries, other than the Issuer and the Guarantors, have no liability for the Bonds.***

The Bonds are guaranteed only by the subsidiaries of the Issuer and secured by collateral of such subsidiaries. The Parent has pledged its shares in the Issuer as collateral, but has otherwise no liability with respect to the Bonds. The Parent's subsidiaries that are not subsidiaries of the Issuer have no liability for the Group's obligations under the Bonds. Accordingly, if the Issuer and the Guarantors are unable to make payments on the Bonds, the investors will be unable to recover against the subsidiaries that are not part of the Group and the recovery against the Parent will be limited.

***The Bonds are not a suitable investment for all investors***

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances.

***Risks relating to change of control***

The Issuer's ability to redeem the Bonds with cash may be limited. Upon the occurrence of a change of control event, each individual Bondholder shall have a right of pre-payment of the Bonds as set out in the Bond Agreement. However, it is possible that the Issuer may not have sufficient funds to make the required redemption of Bonds. The Issuer may require additional financing from third parties to fund any such redemption, and it may be unable to obtain financing on satisfactory terms or at all.

***The terms and conditions of the Bond Agreement impose significant operating and financial restrictions, which may prevent the Issuer from capitalizing on business opportunities and taking some actions.***

The terms and conditions of the Bond Agreement contain restrictions on the Issuer's activities. The restrictions in the terms and conditions of the Bond Agreement may prevent the Issuer from taking actions that it believes would be in the best interest of the Issuer's business, and may make it difficult for the Issuer to execute its business strategy successfully or compete effectively with companies that are not similarly restricted. The Issuer cannot assure investors that it will be granted waivers or amendments to these restrictions if for any reason it is unable to comply with these restrictions. The breach of any of these covenants and restrictions could result in an event of default under the Bond Agreement.

***The price of the Bonds is subject to risks of interest rate and currency fluctuation.***

The price of a single bond will fluctuate in accordance with the interest rate and credit markets in general, the market view of the credit risk of that particular bond issue, and the liquidity of these bonds in the market. The interest rates can, and will, experience substantial fluctuations caused by a number of factors based on the development in the international economy.

***Significant changes in exchange rates may have a material adverse effect on the value of the principal payable on the Bonds.***

As the Issuer will repay principal of and pay interest on the Bonds in U.S. Dollars, significant changes to the applicable currency exchange rates due to economic, political or other factors present certain risks if an investor's financial activities are denominated principally in a currency other than the U.S. Dollar. In addition, exchange controls imposed or modified by the relevant authorities could adversely affect an applicable exchange rate, and as a result the investors may receive less or no interest or principal.



***The Bonds may be subject to optional redemption by the Issuer, which may have a material adverse effect on the value of the Bonds, and in such circumstances an investor may not be able to reinvest the redemption proceeds at an equivalent rate of interest.***

In accordance with the terms and conditions of the Bond Agreement, the Bonds are subject to optional redemption by the Issuer at their outstanding principal amount, plus accrued and unpaid interest to the date of redemption, plus in some events an amount calculated in accordance with the terms and conditions of the Bond Agreement. This feature is likely to limit the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

***The enforcement of rights as a Bondholder across multiple jurisdictions may prove difficult. Furthermore, in the event any Bondholder's rights as a bondholder have been infringed, it may be difficult to enforce judgments against the Issuer or its respective directors or management.***

The Parent, the Issuer and the Guarantors are incorporated under the laws of the Marshall Islands. The Security Vessels are expected to travel worldwide. The Issuer's business is operated primarily from offices in the United States. Local laws may prevent or restrict Bondholders from enforcing a judgment against the Issuer's assets, the assets of its senior managers, the assets of the guarantors and/or the assets of the directors or management of the guarantors.

#### ***Insolvency of the Issuer, the Parent or the Guarantors***

As the Parent, the Issuer and the Guarantors are incorporated under the laws of the Marshall Islands and the current Security Vessels are registered under the laws of the Marshall Islands, and the Issuer's business is operated primarily from offices in the United States, an insolvency proceeding relating to the Parent, the Issuer or the Guarantors, even if brought in another jurisdiction, would likely involve United States and Marshall Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of those of other jurisdictions with which investors are familiar. Investors should also note that the process of making a claim as creditor of the Issuer under United States and Marshall Islands laws may be complex and time-consuming, and could result in substantial reduction in payments to holders of the Bonds.

#### ***Risks relating to change of law***

The terms and conditions of the Bonds are governed by Norwegian law and the terms and conditions of the security documents are inter alia governed by Norwegian, English, Marshall Islands and U.S. law. No assurance can be given as to the impact of any possible judicial decision or change to such laws or administrative practices.

#### ***Valuations are inherently subjective and the valuations of the vessels are subject to significant assumptions.***

The valuation report included in Appendix 3 to this Prospectus has been provided by Braemar ACM Valuations Limited. Although Braemar ACM Valuations Limited believes that the valuations and particulars are reasonably accurate, all statements made are statements of opinion and are not to be taken as representations of fact. The valuations are for general information and have not been produced for any specific purpose. No assurance is given as to the suitability of the valuations for use in relation any specific project or transaction. Any party contemplating entering a transaction should satisfy themselves by inspection of the vessels or otherwise as to the correctness of the statements and assumptions which the valuations contain. It must be appreciated that ship values can be very volatile, unstable and irregular. Information on comparable transactions and market demand can also be very limited. These circumstances should be considered by anyone contemplating entering a transaction. Braemar ACM Valuations Limited has not made a physical inspection of the vessels, nor has it inspected the vessels' classification records, but it has assumed for the purposes of the valuations, that the vessels are in good and seaworthy conditions.

***Insolvency proceedings are likely to include the laws of the Marshall Islands and the United States, and the insolvency proceedings may be complex, time consuming and result in substantial reduction in payments to holders of the Bonds***

As the Parent, the Issuer and its subsidiaries are incorporated under the laws of the Marshall Islands and the Security Vessels are registered under the laws of the Marshall Islands, and the Issuer's business is operated primarily from offices in the United States, an insolvency proceeding relating to the Parent, the Issuer or its subsidiaries, even if brought in another jurisdiction, would likely involve United States and Marshall Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of those of other jurisdictions with which investors are familiar. Investors should also note that the process of making a claim as creditor of the Issuer under United States and Marshall Islands laws may be complex and time-consuming, and could result in substantial reduction in payments to holders of the Bonds.

### **3 PERSONS RESPONSIBLE**

Eagle Bulk Shipco LLC, with registered address at Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960, accepts responsibility for the information contained in the Prospectus. The Issuer hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import.

9 May 2018

**Eagle Bulk Shipco LLC**

#### **4            THIRD PARTY INFORMATION**

If not otherwise indicated, Eagle Bulk Shipco LLC is the source of information in this Prospectus. Information which has been sourced from a third party has been accurately reproduced. As far as the Issuer is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## 5 INFORMATION CONCERNING THE SECURITIES

<b>ISIN:</b>	NO0010810872
<b>The reference name of the Bond Issue:</b>	Eagle Bulk Shipco LLC 8.250% senior secured USD 200,000,000 bonds 2017/2022
<b>Issuer:</b>	Eagle Bulk Shipco LLC
<b>Security type:</b>	Bond issue with fixed rate
<b>Currency:</b>	USD
<b>Outstanding Amount:</b>	USD 200,000,000
<b>Initial Nominal Amount:</b>	USD 1.00.
<b>Securities form:</b>	The Bonds are electronically registered in book-entry form with the Central Securities Depository of Norway (Nw.: <i>Verdipapirsentralen</i> ASA) ("CSD").
<b>Issue Date:</b>	28 November 2017
<b>Interest bearing from and including:</b>	Issue Date
<b>Interest bearing to:</b>	Maturity Date
<b>Maturity Date:</b>	28 November 2022 (subject to the Business Day Convention)
<b>Interest Rate:</b>	8.250% per annum
<b>Interest Period:</b>	Means, subject to adjustment in accordance with the Business Day Convention, the period between, May and November each year, provided however that an Interest Period shall not extend beyond the Maturity Date.
<b>Interest Payment Date:</b>	Means the last day of each Interest Period, the first Interest Payment Date being 29 May 2018 and the last Interest Payment Date being the Maturity Date.
<b>Issue price:</b>	99.046% of Nominal Value
<b>Yield:</b>	Investors wishing to invest in the Bonds after the Issue Date must pay the market price for the Bonds in the secondary market at the time of purchase. Depending on the development in the bond market in general and the development of the Issuer, the price of the Bonds may have increased (above par) or decreased (below par). If the price has increased, the yield for the purchaser in the secondary market will be lower than the Interest Rate of the Bonds and vice versa. If the Bonds are bought and sold at par value the yield will be the same as the Interest Rate (8.250% per annum).

<b>Day count fraction:</b>	30/360-days basis
<b>Business Day Convention:</b>	"No Adjustment"
<b>Business Day:</b>	A day on which both the relevant CSD settlement system is open, and the relevant Bond currency settlement system is open and banks generally are open for business in Oslo and New York.
<b>Redemption of Bonds:</b>	<p>The Bonds will be repaid by the Issuer on each Interest Payment Date, from and including 28 November 2018, in an amount of USD 4,000,000 at 100% of the Nominal Amount (plus accrued interest on redeemed Bonds) (each an "<b>Instalment</b>").</p> <p>Instalment payments will be applied pro rata between the Bondholders in accordance with the applicable regulations of the CSD and all Bonds redeemed shall be promptly cancelled thereafter.</p> <p>Any remaining Outstanding Bonds will be redeemed in full on the Maturity Date at a price equal to 100% of the Nominal Amount (plus accrued interest on redeemed Bonds).</p>
<b>Voluntary early redemption – Call Option:</b>	<p>The Issuer may redeem all or parts of the Outstanding Bonds (the "<b>Call Option</b>") on any Business Day from and including:</p> <ul style="list-style-type: none"> <li>(i) the Issue Date to, but not including, the Interest Payment Date in May 2020 (the "<b>First Call Date</b>") at a price equal to the Make Whole Amount (as defined in Clause 1.1 of the Bond Agreement, attached hereto as Appendix 1);</li> <li>(ii) the First Call Date to, but not including, the Interest Payment Date in November 2020 at a price equal to 104.125% of the Nominal Amount (plus accrued interest on redeemed amount) for each redeemed Bond;</li> <li>(iii) the Interest Payment Date in November 2020 to but not including, the Interest Payment Date in May 2021 at a price equal to 103.30% of the Nominal Amount (plus accrued interest on redeemed amount) for each redeemed Bond;</li> <li>(iv) the Interest Payment Date in May 2021 to, but not including, the Interest Payment Date in November 2021 at a price equal to 102.475% of the Nominal Amount (plus accrued interest on redeemed amount) for each redeemed Bond;</li> <li>(v) the Interest Payment Date in November 2021 to, but not including, the Interest Payment Date in May 2022 at a price equal to 101.65% of the Nominal Amount (plus accrued interest of redeemed amount) for each redeemed</li> </ul>

Bond; and

- (vi) the Interest Payment Date in May 2022 to, but not including, the Maturity Date at a price equal to the Nominal Amount (plus accrued interest of redeemed amount) for each redeemed Bond.

Any redemption of Bonds pursuant to (i) to (vi) above shall be determined based upon the redemption prices applicable on the settlement date for the Call Option determined by the Issuer pursuant to Clause 10.2 of the Bond Agreement, or a date agreed upon between the Bond Trustee and the Issuer in connection with such redemption of Bonds.

Any Call Option exercised in part will be used for pro rata payment to the Bondholders in accordance with the applicable regulations of the CSD.

**Mandatory repurchase due to a  
Change of Control Event:**

Upon the occurrence of a Change of Control Event, each Bondholder will have the right (the "**Put Option**") to require that the Issuer purchases all or some of the Bonds held by that Bondholder at a price equal to 101% of the Nominal Amount (plus accrued interest).

The Put Option must be exercised within 60 calendar days after the Issuer has inform the Bond Trustee and the Bondholders in writing as soon as possible after becoming aware that a Change of Control Event has occurred. Once notified, the Bondholders' right to exercise the Put Option will not fall away due to subsequent events related to the Issuer.

Each Bondholder may exercise its Put Option by written notice to its account manager for the CSD, who will notify DNB Bank ASA (the Paying Agent) of the exercise of the Put Option. The settlement date for the Change of Control Event pursuant to Clause 10.3 of the Bond Agreement, attached hereto as Appendix 1 (the "**Put Option Repayment Date**") will be the fifth Business Day after the end of the 30 calendar days exercise period referred to in the subsection above.

If Bonds representing more than 90% of the Bonds issued in accordance with the Bond Agreement to the extent not redeemed or otherwise discharged (the "**Outstanding Bonds**") have been repurchased pursuant to this section "*Mandatory repurchase due to a Change of Control Event*", the Issuer is entitled to repurchase all the remaining Outstanding Bonds at price equal to 101% of the Nominal Amount (plus accrued interest) by notifying the remaining Bondholders of its intention to do so no later than 20 calendar days after the Put Option Repayment Date. Such prepayment may occur at the earliest on the 15<sup>th</sup> calendar day following the date of such notice.

**Early redemption option due to a tax event:**

If the Issuer is or will be required to gross up any withheld tax imposed by law from any payment in respect of the Bonds under the Finance Documents pursuant to Clause 8.4 of the Bond Agreement attached hereto as Appendix 1, as a result of a change in applicable law implemented after the date of the Bond Agreement, the Issuer will have the right to redeem all, but not only some, of the Outstanding Bonds at a price equal to 100% of the Nominal Amount. The Issuer shall give written notice of such redemption to the Bond Trustee and the Bondholders at least 20 Business Days prior to the date set out in a notice from the Issuer to the Bondholders pursuant to Clause 10.4 of the Bond Agreement (the "**Tax Event Repayment Date**"), provided that no such notice shall be given earlier than 60 days prior to the earliest date on which the Issuer would be obliged to withhold such tax were a payment in respect of the Bonds then due.

**Mandatory Prepayment:**

Upon a Piracy Event or a Total Loss Event, as defined in Clause 1.1 of the Bond Agreement attached hereto as Appendix 1 (a "**Mandatory Prepayment Event**"), the Issuer shall as soon as insurance proceeds are available and in any event no later than 120 days following the Total Loss Event or Piracy Event (as the case may be), either (i) redeem Bonds equivalent to the Redemption Amount, as defined in Clause 1.1 of the Bond Agreement, at 100% of Nominal Amount (plus accrued interest on redeemed amount) or (ii) transfer the Redemption Amount to the account blocked and pledged in favour of the Security Agent (on behalf of the Secured Parties) (the "**Disposal Account**") for the purpose of a Reinvestment, as defined in Clause 1.1 of the Bond Agreement, or a later redemption in accordance with item (i) (in each case to occur within 12 months from the occurrence of the Mandatory Prepayment Event).

**Change of Control Event:**

Any person (or group of persons) acting in concert, other than the persons owning more than 15% of the voting stock of the Parent on the Issue Date (in each case, together with their affiliates, investment advisory clients and manager accounts), gaining Decisive Influence over the Parent.

**Status of the Bonds:**

The Bonds constitute unsubordinated and secured senior debt obligations of the Issuer. The Bonds rank *pari passu* between themselves and rank at least *pari passu* with all other obligations of the Issuer (except in respect of claims mandatorily preferred by law), and, subject to the super senior status of the Revolving Credit Facility. The RCF Creditors, as defined in Clause 1.1 of the Bond Agreement, will receive (i) the proceeds from any enforcement of the Security and the Guarantees and certain distressed disposals and (ii) any payments following any other enforcement event in respect of any shared Security, prior to the Bondholders and the Bond Trustee, but otherwise rank *pari passu* in right of payment with the Bonds, in accordance with the waterfall provisions of the Intercreditor Agreement, subject to obligations which are



mandatorily preferred by law.

<b>Information covenants:</b>	Please see Clause 12 of the Bond Agreement, attached hereto as Appendix 1.
<b>General and financial covenants:</b>	Please see Clause 13 of the Bond Agreement, attached hereto as Appendix 1.
<b>Events of Default and acceleration of the Bonds:</b>	Please see Clause 14 of the Bond Agreement, attached hereto as Appendix 1.
<b>Finance Documents:</b>	means the Bond Agreement, the Bond Trustee Agreement, the Intercreditor Agreement, any Transaction Security Document, any agreement whereby the Security Agent is appointed to act as such in the interest of the Bond Trustee (on behalf of itself and the Bondholders), designated by the Issuer and the Bond Trustee as a Finance Document.
<b>Defeasance:</b>	Please see Clause 18.4 of the Bond Agreement, attached hereto as Appendix 1.
<b>Guarantee:</b>	The unconditional and irrevocable Norwegian law corporate guarantees (Nw.: " <i>Selvskyldnerkausjon</i> ") or any other applicable law acceptable to the Bond Trustee up to the full amount outstanding under the Bonds (and the Revolving Credit Facility) from each of the Guarantors and any other guarantee given by a Guarantor in relation to the Finance Documents.
<b>Guarantors:</b>	Means the Vessel Owners, currently comprising the 28 single purpose limited liability companies registered under the laws of the Republic of the Marshall Islands, each being the sole legal and beneficial owner of one dry bulk vessel and a subsidiary of the Issuer: <ol style="list-style-type: none"> <li>1) Singapore Eagle LLC</li> <li>2) Stamford Eagle LLC</li> <li>3) Sandpiper Shipping LLC</li> <li>4) Roadrunner Shipping LLC</li> <li>5) Puffin Shipping LLC</li> <li>6) Petrel Shipping LLC</li> <li>7) Owl Shipping LLC</li> <li>8) Oriole Shipping LLC</li> <li>9) Thrush Shipping LLC<sup>2</sup></li> <li>10) Thrasher Shipping LLC</li> <li>11) Egret Shipping LLC</li> <li>12) Crane Shipping LLC</li> <li>13) Canary Shipping LLC</li> <li>14) Bittern Shipping LLC</li> </ol>

<sup>2</sup> On 23 March 2018, the Issuer signed a memorandum of agreement to sell the vessel Thrush for USD 10.9 million after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Issuer expects to recognize a gain of USD 0.4 million.

15) Stellar Eagle Shipping LLC

16) Crested Eagle Shipping LLC

17) Crowned Eagle Shipping LLC

18) Jaeger Shipping LLC

19) Cardinal Shipping LLC

20) Kestrel Shipping LLC

21) Skua Shipping LLC

22) Shrike Shipping LLC

23) Tern Shipping LLC

24) Osprey Shipping LLC

25) Goldeneye Shipping LLC

26) Merlin Shipping LLC

27) Condor Shipping LLC

28) Hawk Shipping LLC

**Vessel Owners:**

Means the single purpose limited liability companies, each being the sole legal and beneficial owner of a Security Vessel. All Vessel Owners are or will become 100% directly or indirectly owned Subsidiaries of the Issuer and registered in the Republic of the Marshall Islands.

**Security Vessel:**

Means the Initial Vessels, any Additional Vessels and (for the avoidance of doubt) any other dry bulk vessel owned by any Group Company.

**Taxation:**

The Issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the Finance Documents.

The Issuer shall, if any tax is withheld in respect of the Bonds under the Finance Documents:

- (i) gross up the amount of the payment due from the it up to such amount which is necessary to ensure that the Bondholders or the Bond Trustee, as the case may be, receive a net amount which is (after making the required withholding) equal to the payment which would have been received if no withholding had been required; and
- (ii) at the request of the Bond Trustee, deliver to the Bond Trustee evidence that the required tax deduction or withholding has been made.

Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer shall not be responsible for reimbursing any such fees.

**Listing and admission to trading:**

The Issuer shall apply for listing of the Bonds on the Oslo Stock Exchange as soon as possible and no later than date falling 6

months following the Issue Date.

**Purpose and utilization:**

The Issuer used the net proceeds from the issuance of the Bonds (net of legal costs, fees of the Managers and the Bond Trustee and any other agreed costs and expenses) to repay (as a distribution or otherwise):

- (i) the Bank Facility with an amount of approximately USD 125 million; and
- (ii) the PIK Note in full with an amount of approximately USD 75 million

Any surplus amounts (if any) shall be applied for the general corporate purposes of the Group.

**Approvals:**

The Bonds have been issued in accordance with the Issuer's Board approval dated 16 November 2017.

**Limitation of claims:**

All claims under the Bond Agreement, attached hereto as Appendix 1, and the other Finance Documents as defined in Clause 1.1 of the Bond Agreement, for payment, including interest and principal, will be subject to the legislation regarding time-bar provisions of the Norwegian Limitation Act of 18 May 1979 No. 18; pt. 3 years for interest payments and 10 years for principal.

**Bond Agreement:**

The Bond Agreement, attached hereto as Appendix 1, has been entered into between the Issuer and the Bond Trustee. The Bond Agreement sets out the Bondholders' rights and obligations in the Bonds. The Bond Trustee has entered into the Bond Agreement on behalf of the Bondholders and been granted authority to act on behalf of the Bondholders to the extent provided for in clause 16 of the Bond Agreement. When Bonds are purchased, the Bondholder is deemed to have accepted the Bond Agreement and shall be bound by its terms.

**Bondholders' Meeting:**

The Bondholders' Meeting represents the supreme authority of the Bondholders community in all matters relating to the Bonds, and has the power to make all decisions altering the terms and conditions of the Bonds, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes. The Bondholders' Meeting may, *inter alia*, resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal. If a resolution by or an approval of the Bondholders is required, such resolution shall be passed at a Bondholders' Meeting, see however Clause 16.2 of the Bond Agreement, attached hereto as Appendix 1. Resolutions passed at Bondholders' Meetings shall be binding upon all Bondholders and prevail for all the Bonds. At the Bondholders' Meeting each Bondholder may cast one vote for each Voting Bond owned on the date falling on the immediate preceding Business Day to the date of that Bondholders' Meeting being held, or another date as accepted by the Bond Trustee. The chair of the Bondholders'

Meeting may, in its sole discretion, decide on accepted evidence of ownership of Voting Bonds. The Issuer's Bonds shall not carry any voting rights. The chair of the Bondholders' Meeting shall determine any question concerning whether any Bonds will be considered Issuer's Bonds.

A Bondholder that has a Bond registered in the name of a nominee shall be deemed to be the owner of the Bond rather than the nominee. No vote may be cast by any nominee if the Bondholder has presented relevant evidence to the Bond Trustee stating that it is the owner of the Bonds voted for. If the Bondholder has voted directly for any of its nominee registered Bonds, the Bondholder's votes shall take precedence over votes submitted by the nominee for the same Bonds.

In order to form a quorum, at least 50% of the Voting Bonds must be represented at a Bondholders' Meeting, see however Clause 15.4 of the Bond Agreement attached hereto as Appendix 1. As a main rule, resolutions shall be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting. However, a majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for any waiver or amendment of any terms of the Bond Agreement.

Subject to the terms of the Bond Agreement, anything which may be resolved by the Bondholders in a Bondholders' Meeting pursuant to Clause 15.1 (*Authority of the Bondholders' Meeting*) may also be resolved by way of a Written Resolution. A Written Resolution passed with the relevant majority is as valid as if it had been passed by the Bondholders in a Bondholders' Meeting, and any reference in any Finance Document to a Bondholders' Meeting shall be construed accordingly.

For further details, see clause 15 of the Bond Agreement, attached hereto as Appendix 1.

**Bond Trustee:**

Nordic Trustee AS, P.O. Box 1470 Vika, NO-0116 Oslo, Norway

**Managers:**

The managers for the Bond Issue, being

- DNB Markets;
- Fearnley Securities AS; and
- Skandinaviska Enskilda Banken AB (publ)

and the co-managers, being

- Arctic Securities AS; and
- Credit Agricole

**Paying Agent:**

DNB Bank ASA

**Market-making:**

No market-maker agreement has been made for the Bond Issue.

**Legislation under which the Bonds have been created:**

Norwegian law

**Transfer restrictions:**

Bondholders located in the United States will not be permitted to transfer the Bonds except (a) to the Issuer, (b) pursuant an effective registration statement under the Securities Act, (c) to a person that the Bondholder reasonably believes is a QIB that is purchasing for its own account, or the account of another QIB, in a transaction meeting the requirements of Rule 144A, (d) to a non-U.S. person in an offshore transaction satisfying the requirements of Rule 904 of Regulation S under the Securities Act, including in a transaction on the Oslo Børs, and (e) pursuant to any other exemption from registration under the Securities Act, including Rule 144 thereunder (if available).

Further, certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time. Neither the Issuer nor the Bond Trustee shall be responsible to ensure compliance with such laws and regulations and each Bondholder is responsible for ensuring compliance with the relevant laws and regulations at its own cost and expense.

A Bondholder who has purchased Bonds in breach of applicable restrictions may, notwithstanding such breach, benefit from the rights attached to the Bonds pursuant to these Bond Terms (including, but not limited to, voting rights), provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.

**Governing law and jurisdiction:**

The Bond Agreement is governed by Norwegian law, with Oslo District Court as court of first instance.

**Estimate of total expenses:**

Prospectus fee to the Norwegian FSA: NOK 92,000  
 Listing fee to the Oslo Stock Exchange: NOK 51,220  
 Registration fee to the Oslo Stock Exchange: NOK 17,720  
 Compulsory notification in a newspaper (estimated): NOK 8,000  
 Legal fees (estimated): Approx. NOK 1,200,000  
 Managers' fees in connection with the Bond Issue: Approx. USD 2,998,000

## **6 INFORMATION ABOUT THE ISSUER AND THE CURRENT GUARANTORS**

### **6.1 Eagle Bulk Shipco LLC (Issuer)**

The legal and commercial name of the Issuer is Eagle Bulk Shipco LLC. The Issuer is a limited liability company incorporated on 20 September 2016 under the laws of the Republic of the Marshall Islands with registration number 963693. The Issuer is a Marshall Islands company with its principal corporate office at Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. The Issuer is regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The Issuer's registered offices are located at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone: +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

### **6.2 Singapore Eagle LLC (Guarantor)**

Singapore Eagle LLC is a limited liability company incorporated on 7 November 2016 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 963722 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

### **6.3 Stamford Eagle LLC (Guarantor)**

Stamford Eagle LLC is a limited liability company incorporated on 30 September 2016 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 963701 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

### **6.4 Sandpiper Shipping LLC (Guarantor)**

Sandpiper Shipping LLC is a limited liability company incorporated on 2 August 2007 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961149 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

### **6.5 Roadrunner Shipping LLC (Guarantor)**

Roadrunner Shipping LLC is a limited liability company incorporated on 2 August 2007 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961148 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

### **6.6 Puffin Shipping LLC (Guarantor)**

Puffin Shipping LLC is a limited liability company incorporated on 2 August 2007 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961147 and has its registered offices at the

Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.7 Petrel Shipping LLC (Guarantor)**

Petrel Shipping LLC is a limited liability company incorporated on 2 August 2007 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961146 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.8 Owl Shipping LLC (Guarantor)**

Owl Shipping LLC is a limited liability company incorporated on 2 March 2011 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961886 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.9 Oriole Shipping LLC (Guarantor)**

Oriole Shipping LLC is a limited liability company incorporated on 14 June 2006 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 960848 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.10 Thrush Shipping LLC (Guarantor)<sup>3</sup>**

Thrush Shipping LLC is a limited liability company incorporated on 10 September 2010 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961781 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.11 Thrasher Shipping LLC (Guarantor)**

Thrasher Shipping LLC is a limited liability company incorporated on 17 August 2009 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961512 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.12 Egret Shipping LLC (Guarantor)**

Egret Shipping LLC is a limited liability company incorporated on 11 November 2009 and regulated the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961537 and has its registered offices at the

---

<sup>3</sup> On 23 March 2018, the Issuer signed a memorandum of agreement to sell the vessel Thrush for USD 10.9 million after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Issuer expects to recognize a gain of USD 0.4 million.

Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.13 Crane Shipping LLC (Guarantor)**

Crane Shipping LLC is a limited liability company incorporated on 11 November 2009 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961536 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.14 Canary Shipping LLC (Guarantor)**

Canary Shipping LLC is a limited liability company incorporated on 17 August 2009 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961511 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.15 Bittern Shipping LLC (Guarantor)**

Bittern Shipping LLC is a limited liability company incorporated on 17 August 2009 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961510 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.16 Stellar Eagle Shipping LLC (Guarantor)**

Stellar Eagle Shipping LLC is a limited liability company incorporated on 26 April 2007 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961061 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.17 Crested Eagle Shipping LLC (Guarantor)**

Crested Eagle Shipping LLC is a limited liability company incorporated on 22 February 2007 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961008 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.18 Crowned Eagle Shipping LLC (Guarantor)**

Crowned Eagle Shipping LLC is a limited liability company incorporated on 22 February 2007 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961009 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).



**6.19 Jaeger Shipping LLC (Guarantor)**

Jaeger Shipping LLC is a limited liability company incorporated on 14 June 2006 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 960845 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

**6.20 Cardinal Shipping LLC (Guarantor)**

Cardinal Shipping LLC is a limited liability company incorporated on 15 March 2005 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 960647 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

**6.21 Kestrel Shipping LLC (Guarantor)**

Kestrel Shipping LLC is a limited liability company incorporated on 14 June 2006 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 960846 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

**6.22 Skua Shipping LLC (Guarantor)**

Skua Shipping LLC is a limited liability company incorporated on 22 February 2007 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961011 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

**6.23 Shrike Shipping LLC (Guarantor)**

Shrike Shipping LLC is a limited liability company incorporated on 22 February 2007 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961010 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

**6.24 Tern Shipping LLC (Guarantor)**

Tern Shipping LLC is a limited liability company incorporated on 14 June 2006 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 960850 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

**6.25 Osprey Shipping LLC (Guarantor)**

Osprey Shipping LLC is a limited liability company incorporated on 18 February 2005 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered

under the laws of the Republic of the Marshall Islands with registration number 960634 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.26 Goldeneye Shipping LLC (Guarantor)**

Goldeneye Shipping LLC is a limited liability company incorporated on 19 May 2008 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 961351 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.27 Merlin Shipping LLC (Guarantor)**

Merlin Shipping LLC is a limited liability company incorporated on 21 September 2005 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 960723 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.28 Condor Shipping LLC (Guarantor)**

Condor Shipping LLC is a limited liability company incorporated on 26 January 2005 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 960610 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

#### **6.29 Hawk Shipping LLC (Guarantor)**

Hawk Shipping LLC is a limited liability company incorporated on 26 January 2005 and regulated by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands. The company is registered under the laws of the Republic of the Marshall Islands with registration number 960608 and has its registered offices at the Trust Company of the Marshall Islands Inc., Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Phone +1 203 276 8100. Website: [www.eagleships.com](http://www.eagleships.com).

The Issuer is the direct owner of all shares in the Guarantors listed in section 6.2 to 6.29 above. For more information about the organisational structure of the Group, please see section 7 and 8 below.

#### **6.30 Statutory auditor of the Issuer**

The independent auditor of the Issuer is Deloitte & Touche LLP ("**Deloitte**"), with registered offices at 30 Rockefeller Plaza, New York 10112-0015, United States. The engagement is performed in accordance with the professional standards of the American Institute of Certified Public Accountants ("**AICPA**"). All partners and employees of Deloitte who have an active CPA license are members of the AICPA. Deloitte participates in an AICPA-approved practice-monitoring program.

## 7 BUSINESS OVERVIEW

### 7.1 General

EB Shipco is a wholly owned subsidiary of Eagle Bulk Shipping Inc., a company incorporated under the laws of the Republic of the Marshall Islands with registration number 14155 (the "**Parent**", and together with its consolidated subsidiaries, the "**Parent Group**"). The Parent's common shares are listed and traded on NASDAQ under the symbol "EGLE".

The Issuer and its subsidiaries (the "**Group**") are all Marshall Island companies engaging in shipping from their principal corporate office in Stamford, Connecticut and operate within the dry bulk shipping market with focus on the Supramax/Ultramax mid-size asset class. The Group competes on a global basis. As at the date of this Prospectus, the Group's fleet consists of 28 vessels, including 2 Ultramax and 26 Supramax vessels. A significant portion of the abovementioned vessels are currently trading in the spot market, as further detailed in Section 7.5 "*Contract Coverage*" below. The Group has offices in Stamford, Singapore and Hamburg. The Group's operations are handled by Eagle Bulk Management LLC, a limited liability company existing under the laws of the Republic of the Marshall Islands, with offices in Singapore and Hamburg in addition to Stamford, Connecticut.

### 7.2 Ultramax

The term "Ultramax" normally denotes Handymax dry bulk carriers ranging in size from approximately 60,000 to 65,000 deadweight tons ("**dwt**"). The Group's Ultramax vessels are mainly being used for transports of a broad range of major and minor bulk cargoes around the world, including grains, coal, soy beans and minor bulk commodities.

The Group currently has 2 Ultramax vessels. See Section 7.4 "*The fleet*" for particulars on the Group's Ultramax vessels and Section 7.5 "*Contract coverage*" for further information on the contracts under which the Group's Ultramax vessels are operating.

### 7.3 Supramax

The term "Supramax" normally denotes Handymax dry bulk carriers ranging in size from approximately 50,000 to 59,000 dwt. The Group's Supramax vessels are mainly being used for transports of a broad range of major and minor bulk cargoes around the world, including grains, coal, soy beans and minor bulk commodities.

The Group currently has 26 Supramax vessels. See Section 7.4 "*The fleet*" for particulars on the Group's Supramax vessels and Section 7.5 "*Contract coverage*" for further information on the contracts under which the Group's Supramax vessels are operating.

## 7.4 The Fleet

### 7.4.1 Overview

As at the date of this Prospectus, the Group's fleet had an average age of approximately 10.2 years.

The table below shows the various potential employment arrangements for the Group's vessels:

	Voyage Charter	Time Charter	Index Charter	Commercial Pool
Typical contract length	Single voyage	One or multiple voyages	Six months or more	Varies
Hire rate basis <sup>(1)</sup>	Per MT of cargo loaded	Daily	Linked to BSI	Varies
Voyage expenses <sup>(2)</sup>	Issuer pays	Customer pays	Customer pays	Pool pays
Vessel expenses for owned vessels <sup>(3)</sup>	Issuer pays	Issuer pays	Issuer pays	Issuer pays
Charter hire expense for vessels chartered-in	Issuer pays	Issuer pays	Issuer pays	Issuer pays
Off-hire <sup>(4)</sup>	Customer does not pay	Customer does not pay	Customer does not pay	Pool does not pay

(1) "Hire rate" refers to a sum of money paid to the vessel owner by a charterer under a time charter party for the use of a vessel. "Freight rate basis" means the sum of money paid to the vessel owner under a voyage charter or contract of affreightment based on the unit measurement of cargo loaded. "BSI" refers to "Baltic Supramax Index" and the daily hire rate varies based on the Index. The BSI is an index published by the Baltic Exchange which tracks the gross time charter value for a specific 52,000 dwt vessel.

(2) "Voyage expenses" include fuel, port charges, canal tolls, and brokerage commissions paid by the Issuer.

(3) "Vessel expenses" include crewing, repairs and maintenance, insurance, stores, lubes and communication expenses.

(4) "Off-hire" refers to the time a vessel is unavailable to perform the service either due to scheduled or unscheduled repairs.

The tables below set out an overview of the 28 dry bulk vessels which are wholly owned by the current Guarantors as of the date of this Prospectus. A significant portion of the Group's vessels are currently trading in the spot market, as further detailed in Section 7.5 "Contract Coverage" below.

### 7.4.2 Ultramax

Vessel name	Owner	Size (dwt)	Built	Flag
Singapore Eagle	Singapore Eagle LLC	61,530	3 January 2017	Marshall Islands
Stamford Eagle	Stamford Eagle LLC	61,530	15 February 2016	Marshall Islands

### 7.4.3 Supramax

Vessel name	Owner	Size (dwt)	Built	Flag
Sandpiper Bulker	Sandpiper Shipping LLC	57,809	18 October 2011	Marshall Islands
Roadrunner Bulker	Roadrunner Shipping LLC	57,809	1 September 2011	Marshall Islands
Puffin Bulker	Puffin Shipping LLC	57,809	18 August 2011	Marshall Islands
Petrel Bulker	Petrel Shipping LLC	57,809	13 July 2011	Marshall Islands
Owl	Owl Shipping LLC	57,809	8 July 2011	Marshall Islands

Oriole	Oriole Shipping LLC	57,809	19 May 2011	Marshall Islands
Thrush <sup>4</sup>	Thrush Shipping LLC	53,297	5 January 2011	Marshall Islands
Thrasher	Thrasher Shipping LLC	53,360	28 January 2010	Marshall Islands
Egret Bulker	Egret Shipping LLC	57,809	16 January 2010	Marshall Islands
Crane	Crane Shipping LLC	57,809	12 January 2010	Marshall Islands
Canary	Canary Shipping LLC	57,809	15 December 2009	Marshall Islands
Bittern	Bittern Shipping LLC	57,809	20 October 2009	Marshall Islands
Stellar Eagle	Stellar Eagle Shipping LLC	55,989	24 March 2009	Marshall Islands
Crested Eagle	Crested Eagle Shipping LLC	55,989	1 February 2009	Marshall Islands
Crowned Eagle	Crowned Eagle Shipping LLC	55,940	11 November 2008	Marshall Islands
Jaeger	Jaeger Shipping LLC	52,248	29 October 2004	Marshall Islands
Cardinal	Cardinal Shipping LLC	55,362	1 July 2004	Marshall Islands
Kestrel I	Kestrel Shipping LLC	50,326	3 June 2004	Marshall Islands
Skua	Skua Shipping LLC	53,350	16 May 2003	Marshall Islands
Shrike	Shrike Shipping LLC	53,343	26 March 2003	Marshall Islands
Tern	Tern Shipping LLC	50,200	1 January 2003	Marshall Islands
Osprey I	Osprey Shipping LLC	50,206	1 July 2002	Marshall Islands
Goldeneye	Goldeneye Shipping LLC	52,421	15 January 2002	Marshall Islands
Merlin	Merlin Shipping LLC	50,296	1 March 2001	Marshall Islands
Condor	Condor Shipping LLC	50,296	1 January 2001	Marshall Islands
Hawk I	Hawk Shipping LLC	50,296	1 January 2001	Marshall Islands

## 7.5 Contract coverage

As of the date of this Prospectus, the contract coverage of the Group's fleet is approximately 55% for 2018. All vessels are trading in the spot market. The contract coverage of the Group's fleet as of the date of this Prospectus is set out in the charts below:

### 7.5.1 Ultramax

Vessel name	Daily charter hire rate (USD)	Charter expiration
Singapore Eagle	14,500	May 2018
Stamford Eagle	28,000	May 2018

### 7.5.2 Supramax

Vessel name	Daily charter hire rate (USD)	Charter expiration
Sandpiper Bulker	Voyage	May 2018
Roadrunner Bulker <sup>(1)</sup>	1,930	July 2018
Puffin Bulker	12,250	June 2018
Petrel Bulker	14,000	September 2018
Owl <sup>(2)</sup>	6,500	May 2018
Oriole	13,000	May 2018
Thrush <sup>(3)5</sup>	2,055	June 2018
Thrasher	Voyage	May 2018
Egret Bulker	12,500	June 2018
Crane	11,850	May 2018
Canary	17,500	June 2018
Bittern	Voyage	May 2018
Stellar Eagle	10,800	May 2018
Crested Eagle	Voyage	May 2018

<sup>4</sup> On 23 March 2018, the Issuer signed a memorandum of agreement to sell the vessel Thrush for USD 10.9 million after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Issuer expects to recognize a gain of USD 0.4 million.

<sup>5</sup> Please see footnote 4.

Crowned Eagle	Voyage	June 2018
Jaeger <sup>(4)</sup>	1,797	May 2018
Cardinal <sup>(5)</sup>	4,900	June 2018
Kestrel I	10,250	December 2018
Skua	Voyage	June 2018
Shrike	12,000	May 2018
Tern	10,500	July 2018
Osprey I	13,000	May 2018
Goldeneye <sup>(6)</sup>	4,650	August 2018
Merlin	11,000	May 2018
Condor <sup>(7)</sup>	7,750	May 2018
Hawk I	18,100	May 2018

(1) Roadrunner Bulker is contracted to continue the existing time charter at an increased charter rate of USD 11,000 after 20 June 2018.

(2) Owl is contracted to continue the existing time charter at an increased charter rate of USD 12,500 after 16 May 2018.

(3) Thrush is contracted to continue the existing time charter at an increased charter rate of USD 11,000 after 30 May 2018 and USD 13,500 after 5 June 2018.

(4) Jaeger is contracted to continue the existing time charter at an increased charter rate of USD 10,000 after 24 May 2018.

(5) Cardinal is contracted to continue the existing time charter at an increased charter rate of USD 12,250 after 14 June 2018.

(6) Goldeneye is contracted to continue the existing time charter at an increased charter rate of USD 11,750 after 6 July 2018.

(7) Condor is contracted to continue the existing time charter at an increased charter rate of USD 11,500 after 11 May 2018.

### 7.5.3 Management agreements

The Issuer is party to a commercial and technical management agreement with Eagle Bulk Management LLC (a 100% indirect subsidiary of the Parent) for performance of technical and commercial services to the vessels owned by the Group at a fee of USD 150,000 per vessel per annum for commercial management services and USD 135,000 per vessel per annum for technical management services. Additionally, the Issuer is party to an overhead sharing agreement which provides for an additional fee allocation of cash general and administrative expenses of Eagle Bulk Management LLC, less the technical and commercial management fees already paid, based on relative vessel ownership days of the Group to the total consolidated vessel ownership days of the Parent and all of its subsidiaries. The agreements have no specified term and continue until terminated by either party subject to 30 days' prior written notice.

## 7.6 Customers/Charterers

The Group's customers include agricultural, forestry, mining, manufacturing and trading companies. The Group aims to charter its vessels to major trading houses (including commodities traders), publicly traded companies, reputable vessel owners and operators, major producers and government-owned entities rather than to more speculative or undercapitalized entities. For an overview of the Group's charter contracts, see Section 7.5 "Contract coverage".

## 7.7 Competitors

The Group competes with a large number of international dry bulk owners. The international shipping industry is highly competitive and fragmented with many market participants with no single ship owner accounting for more than 5% of tonnage shipped in 2017. As of 31 December 2017, there were approximately 11,116 dry bulk carriers aggregating approximately 817 million dwt. The Group competes with other (primarily private) owners of dry bulk vessels. The Group competes for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on the Group's reputation as an owner and operator. Increasingly, major customers are demonstrating a preference for modern vessels based on concerns about the environmental and operational risks associated with older vessels. Consequently, owners of large modern fleets have gained a competitive advantage over owners of older fleets.

## 7.8 Principal investments

The Group did not undertake any principal investments in the period from 1 January 2018 and to 31 March 2018.

The following table represents certain information about the estimated costs for anticipated vessel drydockings during 2018, along with the anticipated off-hire days. The costs are expected to be financed by cash flow from operations and/or existing credit facilities.

Quarter ending	Off-hire days <sup>(1)</sup>	Projected costs (USD million) <sup>(2)</sup>
30 June 2018	22	0.65
30 September 2018	44	1.30
31 December 2018	22	0.65

(1) Actual duration of drydocking will vary based on the condition of the vessel, yard schedules and other factors.

(2) Actual costs will vary based on various factors, including where the drydockings are actually performed.

## 8 CORPORATE STRUCTURE

The Issuer was incorporated on 20 September 2016 under the laws of the Republic of the Marshall Islands under the name Eagle Bulk Shipco LLC with registration number 963693.

### 8.1 Overview of Group structure

EB Shipco is a wholly owned subsidiary of Eagle Bulk Shipping Inc., a company incorporated on 23 March 2005 under the laws of the Republic of the Marshall Islands with registration number 14155 (the "**Parent**", and together with its consolidated subsidiaries, the "**Parent Group**"). EB Shipco has no significant assets other than the equity interests in its subsidiaries. As a result, the Issuer's ability to satisfy its financial obligations under the Bond Agreement and/or other financial agreements depends on its subsidiaries and their ability to distribute funds to it.

The Parent is a US-based owner and operator of dry bulk vessels. As of 31 December 2017, the Parent's fleet (including that of the Group) currently totals 47 ships and is focused on the mid-size asset class, referred to as Supramax and Ultramax. These vessels are between 50,000 and 59,999 dwt (Supramax) and between 60,000 and 64,999 (Ultramax) and are 'geared', meaning they are equipped with on-board cranes allowing for the self-loading and unloading of cargoes. In addition, the Parent has chartered-in a 61,400 dwt, 2013 built newbuilding Japanese vessel for approximately four years. Furthermore, the Parent charters-in third-party vessels on a short to medium term basis.

The Parent operates out of three offices; Connecticut (headquarters), Singapore and Hamburg, and performs all aspects of vessel management in-house, including: commercial, operational, technical, and strategic. For the last seven years, the Parent has been growing its in-house technical management capabilities and currently manages all of the Parent's owned vessels in-house.

On 8 December 2017, the Parent, through certain of its wholly-owned subsidiaries, one being the Issuer, completed a debt refinancing of approximately USD 265,000,000, inter alia through the Bond Issue by the Issuer. In connection with the debt refinancing, the Parent consummated an internal reorganisation. As part of the internal reorganisation, the Parent transferred ownership of 26 vessel-owning subsidiaries to the Issuer. Additionally, following the internal reorganisation, all management and technical services, including the Group's operations, are handled by Eagle Bulk Management LLC, a limited liability company existing under the laws of the Republic of the Marshall Islands.

The Group's operational activities are carried out by the Issuer's subsidiaries (the current Guarantors), each being the sole legal and beneficial owner of a dry bulk vessel as set out in the table below:

	Vessel owner:	Jurisdiction of incorporation	Field of activity	Proportion of capital held by Issuer
1	Singapore Eagle LLC	Marshall Islands	Owner of the Singapore Eagle	100%
2	Stamford Eagle LLC	Marshall Islands	Owner of the Stamford Eagle	100%
3	Sandpiper Shipping LLC	Marshall Islands	Owner of the Sandpiper Bulker	100%
4	Roadrunner Shipping LLC	Marshall Islands	Owner of the Roadrunner Bulker	100%
5	Puffin Shipping LLC	Marshall Islands	Owner of the Puffin Bulker	100%
6	Petrel Shipping LLC	Marshall Islands	Owner of the Petrel Bulker	100%
7	Owl Shipping LLC	Marshall Islands	Owner of the Owl	100%
8	Oriole Shipping LLC	Marshall Islands	Owner of the Oriole	100%
9	Thrush Shipping LLC <sup>6</sup>	Marshall Islands	Owner of the Thrush	100%
10	Thrasher Shipping LLC	Marshall Islands	Owner of the Thrasher	100%

<sup>6</sup> On 23 March 2018, the Issuer signed a memorandum of agreement to sell the vessel Thrush for USD 10.9 million after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Issuer expects to recognize a gain of USD 0.4 million.



11	Egret Shipping LLC	Marshall Islands	Owner of the Egret Bulker	100%
12	Crane Shipping LLC	Marshall Islands	Owner of the Crane	100%
13	Canary Shipping LLC	Marshall Islands	Owner of the Canary	100%
14	Bittern Shipping LLC	Marshall Islands	Owner of the Bittern	100%
15	Stellar Eagle Shipping LLC	Marshall Islands	Owner of the Stellar Eagle	100%
16	Crested Eagle Shipping LLC	Marshall Islands	Owner of the Crested Eagle	100%
17	Crowned Eagle Shipping LLC	Marshall Islands	Owner of the Crowned Eagle	100%
18	Jaeger Shipping LLC	Marshall Islands	Owner of the Jaeger	100%
19	Cardinal Shipping LLC	Marshall Islands	Owner of the Cardinal	100%
20	Kestrel Shipping LLC	Marshall Islands	Owner of the Kestrel I	100%
21	Skua Shipping LLC	Marshall Islands	Owner of the Skua	100%
22	Shrike Shipping LLC	Marshall Islands	Owner of the Shrike	100%
23	Tern Shipping LLC	Marshall Islands	Owner of the Tern	100%
24	Osprey Shipping LLC	Marshall Islands	Owner of the Osprey I	100%
25	Goldeneye Shipping LLC	Marshall Islands	Owner of the Goldeneye	100%
26	Merlin Shipping LLC	Marshall Islands	Owner of the Merlin	100%
27	Condor Shipping LLC	Marshall Islands	Owner of the Condor	100%
28	Hawk Shipping LLC	Marshall Islands	Owner of the Hawk I	100%

## 8.2 Major shareholder

As of the date of this Prospectus, Eagle Bulk Shipping Inc. (the "**Parent**"), owns all issued and outstanding shares in EB Shipco.

As the sole owner of the shares in EB Shipco, the Parent has decisive influence of the outcome of matters submitted for the vote of the shares in the Issuer. The Issuer is not aware of any arrangements in place to ensure that the Parent's control is not abused, nor of any arrangements, the operation of which may at a subsequent date result in a change in control of EB Shipco.

## 9 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

### 9.1 The Issuer

#### 9.1.1 *Board of Directors of Eagle Bulk Shipco LLC*

The Issuer has not established a board of directors as it is a member-managed limited liability company.

#### 9.1.2 *Management of Eagle Bulk Shipco LLC*

##### **Gary Vogel, CEO**

Mr. Vogel has served as chief executive officer of Eagle Bulk Shipping Inc. since September 2015. Prior to joining the Group, Mr. Vogel was chief executive officer of Clipper Group Ltd., a privately-held ship owning and operating group. He was also a partner and served as a director of Clipper Group Ltd. Mr. Vogel previously held the positions of co-chief executive officer of Clipper Group Ltd. and chief executive officer of Clipper Bulk, a division of Clipper Group Ltd., which he joined in 2000. Before Clipper Group Ltd., Mr. Vogel was president of Van Ommersen Bulk Shipping (USA), Inc. Mr. Vogel graduated from the U.S. Merchant Marine Academy in 1988 with a Bachelor of Science degree in Marine Transportation as well as a U.S. Coast Guard Unlimited Tonnage 3rd Officers License. Subsequently, he served as an officer in the U.S. Naval Reserve. Mr. Vogel currently serves as a director of Ship Finance International Ltd. (NYSE-listed under "SFL") and on the Lloyd's Register North America Advisory Committee. He is also a former board member of the American Institute for International Steel.

##### **Frank De Costanzo, CFO**

Mr. De Costanzo has served as chief financial officer of Eagle Bulk Shipping Inc. since September 2016. Mr. De Costanzo brings more than 30 years of banking, finance, public company and related leadership experience, with a focus on commodity and related markets. Immediately prior to joining the Group, Mr. De Costanzo served as senior vice president and chief financial officer of the Catalyst Paper Corporation, one of North America's largest pulp and paper companies, since June 2015. Mr. De Costanzo also previously served as vice president and global treasurer at Kinross Gold Corporation, a precious metals mining company, from September 2010 to June 2015. Earlier in his career, he served in positions of increasing responsibility at Pitney Bowes Inc., including assistant treasurer, director of internal audit and finance director, international, for Pitney Bowes Software. He also worked at The Dai-Ichi Kangyo Bank (now part of the Mizuho Financial Group) and the Union Bank of Switzerland. Mr. De Costanzo earned a B.S. in Finance from Providence College and an Executive MBA from the University of Connecticut.

The business address of Mr. Vogel and Mr. De Costanzo is 300 First Stamford Place, Stamford, CT 06902, United States of America.

#### 9.1.3 *Conflict of interest*

There are no potential conflicts of interests between any duties to EB Shipco of the persons referred to in this Section 9.1 and their private interests and/or other duties.

### 9.2 The Guarantors

#### 9.2.1 *Board of Directors of the Guarantors*

None of the Guarantors have established a board of directors.

### 9.2.2 *Management of the Guarantors*

Each of the Guarantors has the same management composition as the Issuer. See Section 9.1.2 above for further information.

### 9.2.3 *Conflict of interest*

There are no potential conflicts of interests between any duties to the Guarantors of the persons referred to in this Section 9.2 and their private interests and/or other duties.

## 9.3 **Audit committee**

The Parent has established an audit committee currently consisting of Justin A. Knowles, Randee E. Day and Gary Weston. Following listing of the Bonds on the Oslo Stock Exchange, such committee will function as audit committee for the Issuer.

The audit committee has responsibility for the appointment, compensation and oversight of the work of the Issuer's independent auditor. As part of this responsibility, the audit committee must pre-approve all permissible services to be performed by the independent auditor.

## 9.4 **Purpose of the issuer**

Pursuant to clause 2.3 of the limited liability company agreement of the Issuer, the purpose for which the Issuer is established is to engage in any lawful business, purpose or activity permitted by the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands as the Issuer may deem necessary, appropriate, proper, advisable, convenient or incidental to or for the furtherance of such business.

## 9.5 **Corporate governance**

The Issuer complies with the corporate governance regime in its country of incorporation, as set out in the Limited Liability Company Act of 1996 of the Republic of the Marshall Islands.

## 9.6 **Shares and share capital**

As at the date of this Prospectus, the Issuer has issued 100 limited liability company interests, all of which have been validly issued and owned by the Parent. The limited liability company interests have no par value.

## 10 FINANCIAL INFORMATION

### 10.1 Consolidated Financial Statements of Eagle Bulk Shipco LLC (the Issuer)

Eagle Bulk Shipco LLC has prepared its consolidated annual financial statements for the years ended 31 December 2017 and 2016 in accordance with US GAAP.

The consolidated annual financial statements for 2017 and 2016 have been audited by Deloitte & Touche LLP as set forth in their report thereon appearing in Appendix 2 hereto. The following selected data should be read in conjunction with the audited consolidated financial statements and related notes included in Appendix 2 hereto.

There has been no material adverse change in the prospects of the Group since 31 December 2017.

#### 10.1.1 Consolidated income statement

The table below sets out selected data derived from the Group's audited consolidated financial statements for the years ended 31 December 2017 and 2016.

	For the Years Ended	
	31 December 2017	31 December 2016
Revenues, net	\$ 109,086,680	\$ 58,606,555
Voyage expenses	22,464,776	16,694,494
Vessel expenses	49,065,948	45,260,462
Depreciation and amortization	20,298,433	26,015,945
General and administrative expenses	16,466,046	12,802,605
Vessel impairment	—	98,646,166
Total operating expenses	108,295,203	199,419,672
Operating income/(loss)	791,477	(140,813,117)
Interest expense	1,677,677	—
Other expense, net	118,964	—
Total other expenses, net	1,796,641	—
Net loss and comprehensive loss	\$ (1,005,164)	\$ (140,813,117)

#### 10.1.2 Consolidated balance sheet

The table below sets out selected data derived from the Group's audited consolidated financial statements as of 31 December 2017 and 2016.

	31 December 2017	31 December 2016
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 7,744,005	\$ 2,065,925
Accounts receivable	9,869,508	2,202,332
Accounts receivable - related party	41,830	4,736,425
Prepaid expenses	516,845	1,616,853

Inventories	7,174,889	6,086,317
Other current assets	126,837	—
Total current assets	25,473,914	16,707,852
<b>Noncurrent assets:</b>		
Vessels and vessel improvements, at cost, net of accumulated depreciation of \$70,558,905 and \$53,346,808, respectively	366,054,562	363,093,345
Advance for purchase of vessel	—	1,926,886
Deferred drydocking costs, net	6,765,953	7,273,179
Deferred financing costs - Super Senior Revolver Facility	190,000	—
Total noncurrent assets	373,010,515	372,293,410
<b>Total assets</b>	<b>\$ 398,484,429</b>	<b>\$ 389,001,262</b>
<b>LIABILITIES &amp; MEMBER'S EQUITY:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 3,448,101	\$ 3,026,909
Accrued interest	1,566,333	—
Fair value of derivatives	73,170	—
Other accrued liabilities	5,031,517	4,443,050
Unearned charter hire revenue	2,916,029	3,140,003
Current portion of long-term debt - Norwegian Bond Debt	4,000,000	—
Total current liabilities	17,035,150	10,609,962
<b>Noncurrent liabilities:</b>		
Norwegian Bond Debt, net of debt discount and debt issuance costs	189,950,329	—
Total noncurrent liabilities	189,950,329	—
<b>Total liabilities</b>	<b>206,985,479</b>	<b>10,609,962</b>
Commitment and contingencies		
<b>Member's equity:</b>		
Common shares, zero par value, 100 shares authorized and issued	—	—
Paid-in Capital	365,592,997	551,480,183
Accumulated Deficit	(174,094,047)	(173,088,883)
Total Member's equity	191,498,950	378,391,300
<b>Total liabilities and Member's equity</b>	<b>\$ 398,484,429</b>	<b>\$ 389,001,262</b>

### 10.1.3 Consolidated cash flow statement

The table below sets out selected data derived from the Group's audited consolidated financial statements for the years ended 31 December 2017 and 2016.

	<b>For the Years Ended</b>	
	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (1,005,164)	\$(140,813,117)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:		
Depreciation	17,212,097	23,782,074
Amortization of deferred drydocking costs	3,086,336	2,233,871
Amortization of debt discount and debt issuance costs	111,344	—
Management services contributed by the Parent Company	14,825,300	12,771,372
Vessel impairment	—	98,646,166
Net unrealized loss on fair value of derivatives	73,170	—
Drydocking expenditures	(2,579,110)	(3,306,171)
Changes in operating assets and liabilities:		
Accounts receivable	(2,972,581)	(671,011)
Prepaid expenses	1,100,008	(441,231)
Inventories	(1,088,572)	(1,953,399)

Accounts payable	421,192	(344,192)
Accrued interest	1,566,333	—
Other current assets	(126,837)	—
Other accrued liabilities	(355,534)	(386,403)
Unearned revenue	(223,974)	2,591,092
<b>Net cash provided by/(used in) operating activities</b>	<b>30,044,008</b>	<b>(7,890,949)</b>
<b>Cash flows from investing activities:</b>		
Vessel purchases and improvements	(18,246,428)	(19,675,309)
Advance for purchase of vessel	—	(1,926,886)
<b>Net cash used in investing activities</b>	<b>(18,246,428)</b>	<b>(21,602,195)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from the Norwegian Bond Debt, net of discount	198,092,000	—
Other financing costs	(3,499,014)	—
Return of capital to the Parent Company	(223,458,914)	—
Capital contribution from the Parent Company	22,746,428	30,654,663
<b>Net cash provided by financing activities</b>	<b>(6,119,500)</b>	<b>30,654,663</b>
Net increase in cash and cash equivalents	5,678,080	1,161,519
Cash and cash equivalents at beginning of year	2,065,925	904,406
<b>Cash and cash equivalents at end of year</b>	<b>\$ 7,744,005</b>	<b>\$ 2,065,925</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for interest	—	—
Accrued debt issuance costs during the period	\$ 944,000	—

#### 10.1.4 Consolidated statement of changes in member's equity

The table below sets out selected data derived from the Company's audited consolidated financial statements for the years ended 31 December 2017 and 2016.

	Common shares amount	Paid-in Capital	Accumulated Deficit	Total Member's Equity
Balance at 1 January 2016	\$ —	\$ 508,054,148	\$ (32,275,766)	\$ 475,778,382
Net loss	—	—	(140,813,117)	(140,813,117)
Capital contribution of services by the Parent Company	—	12,771,372	—	12,771,372
Cash capital contribution by the Parent Company	—	30,654,663	—	30,654,663
Balance at 31 December 2016	—	551,480,183	(173,088,883)	378,391,300
Net loss	—	—	(1,005,164)	(1,005,164)
Cash capital distribution to the Parent Company	—	(223,458,914)	—	(223,458,914)
Capital contribution of services by the Parent Company	—	14,825,300	—	14,825,300
Cash capital contribution by the Parent Company	—	22,746,428	—	22,746,428
Balance at December 31, 2017	\$ —	\$ 365,592,997	\$ (174,094,047)	\$ 191,498,950

## 10.2 Significant changes, trends and other factors affecting results

Other than the following, there have been no significant changes in the financial or trading position of the Group since 31 December 2017:

- On 23 March 2018, the Issuer signed a memorandum of agreement to sell the vessel Thrush for USD 10.9 million after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Issuer expects to recognize a gain of USD 0.4 million.

The Issuer believes that the following material factors may have effects on the Group's results:

- Changes in national and international economic conditions, including, for example interest rate levels, inflation and employment levels, may influence the valuation of real and financial assets. In turn, this may impact the demand for goods, services and assets globally and thereby the macro economy. The current macroeconomic situation is uncertain and there is a risk of negative developments. Such changes and developments – none of which will be within the control of the Issuer – may negatively impact the Issuer's activities.
- The values of the Group's vessels are outside of the Issuer's control and depend, among other things, on the global economy, global trade growth, as well as oil and gas prices. On the supply side there are uncertainties tied to ordering of new vessels and scope of future scrapping. The actual residual value of the vessels and/or future contract earnings may be lower than the Issuer estimates.
- The technical operation of a vessel has a significant impact on the vessel's economic life. Technical risks will always be present. There can be no guarantee that the parties tasked with operating a vessel or overseeing such operation perform their duties according to agreement or satisfaction. Failure to adequately maintain the technical operation of a vessel may adversely impact the operating expenses of the vessel and accordingly any future potential realization values that can be obtained.
- The Group's performance depends heavily on its counterparties' ability to perform their obligations under agreed charter parties. Default by a counterparty of its obligations under its agreements with a Group Company may have adverse consequences for the overall Group. The counterparty's financial strength will thus be very important.
- The Group's vessels will operate in a variety of geographic regions. Consequently, the Group may, indirectly through its underlying investments, be exposed to political risk, risk of piracy, corruption, terrorism, outbreak of war, amongst others. The business, financial condition and results of operations of the Group may accordingly be negatively affected if such events do occur.

## **11 LEGAL MATTERS**

### **11.1 Legal and arbitration proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer's and/or the Group's financial position or profitability.

### **11.2 Material contracts**

The Issuer has not entered into any material contracts that are not in the ordinary course of business for the two years immediately preceding the date of this Prospectus.



## **12 ADDITIONAL INFORMATION**

### **12.1 Valuation report**

The Issuer appointed Braemar ACM Valuations Limited as an independent valuer to conduct valuations of the vessels of the Issuer on an at-desk basis in connection with the Bond Issue. Braemar ACM Valuations Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of its name and all references thereto and the valuation report appearing in Appendix 3, in the form and context in which it is included in this document.

Braemar ACM Valuations Limited is a wholly owned subsidiary of Braemar Shipping Services PLC and provides vessel's asset valuations for ship-owners, shipping banks and funds major oil companies. Braemar ACM Valuations Limited has its registered offices at 1 Strand, Trafalgar Square, London WC2N 5HR, UK.

### **12.2 Miscellaneous**

The involved persons in Eagle Bulk Shipco LLC have no interest, nor conflicting interests that are material to the Bond Issue.

Eagle Bulk Shipco LLC mandated DNB Markets, Fearnley Securities AS and Skandinaviska Enskilda Banken AB (publ) to act as managers for the Bond Issue, and Arctic Securities AS and Credit Agricole CIB to act as co-managers. The managers received a percentage fee of the gross cash proceeds raised in the Bond Issue and, as such, had an interest in the Bond Issue.

Other than what is set out above, the Issuer is not aware of any other interests (including conflict of interests) of natural and legal persons involved in the Bond Issue.

### **13 DOCUMENTS ON DISPLAY**

For the life of the Prospectus the following documents (or copies thereof), where applicable, may be inspected:

- a) the certificate of formation and limited liability agreements of the Issuer and each of the current Guarantors;
- b) all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Issuer's or any of the Guarantors' request any part of which is included or referred to in the Prospectus;
- c) the historical financial information of the Issuer and its subsidiary undertakings for each of the two financial years preceding the publication of the Prospectus.

The documents are available for inspection at the registered offices of the Issuer.

## 14 DEFINITIONS

<b>Additional Vessels</b>	means any second hand dry bulk carriers built in 2010 or later, acquired by a Group Company (i) by using Excess Cash and/or new equity or Shareholder Loans, and/or (ii) using proceeds from a Permitted Disposal. Any Additional Vessels shall be subject to the Additional Security and the acquisition of any Additional Vessels shall be subject to delivery of the Additional Security (in relation to such Additional Vessel and any new Vessel Owner).
<b>Additional Security</b>	means the Security referred to under Additional Security in Clause 2.5 (Transaction Security) of the Bond Agreement.
<b>Bonds</b>	The bonds issued under the Bond Issue.
<b>Bond Agreement</b>	The bond agreement entered into between the Issuer and the Trustee acting as the Bondholders' representative on 22 November 2017, attached hereto as Appendix 1. The Bond Agreement regulates the Bondholders' rights and obligations with respect to the Bonds.
<b>Bond Issue</b>	The bond issue of USD 200,000,000 constituted by the Bonds.
<b>Bond Trustee</b>	Nordic Trustee ASA, Postboks 1470 Vika, NO-0116 Oslo, Norway.
<b>Bondholder</b>	means a holder of Bond(s), as registered in the CSD, from time to time.
<b>Bondholders' Meeting</b>	means a meeting of Bondholders, as set out in Clause 16 in the Bond Agreement.
<b>CSD or VPS</b>	means the central securities depository in which the Bonds are registered, being Verdipapirsentralen ASA.
<b>Deloitte</b>	Deloitte & Touche LLP, with registered offices at 30 Rockefeller Plaza, New York 10112-0015, United States.
<b>Decisive influence</b>	means a person having, as a result of an agreement or through the ownership of shares or interests in another person (directly or indirectly): <ul style="list-style-type: none"> <li>a) a majority of the voting rights in that other person; or</li> <li>b) a right to elect or remove a majority of the members of the board of directors of that other person.</li> </ul>
<b>Disposal Account</b>	means an account blocked and pledged in favour of the Security Agent (on behalf of the Secured Parties).
<b>Excess Cash</b>	means any Free Liquidity of the Group in excess of USD 20,000,000.
<b>First Call Date</b>	means the Interest Payment Date in May 2020.
<b>Finance Documents</b>	has the meaning ascribed to such term in the Bond Agreement.
<b>Free Liquidity</b>	means the freely available, unrestricted and unencumbered consolidated cash

balance of the Group as defined in accordance with GAAP including undrawn and available amounts under the Revolving Credit Facility (provided the remaining duration of the Revolving Facility is no less than six (6) calendar months).

---

**Group**

The Issuer and all its (directly and indirectly owned) subsidiaries from time to time. At the date of this Prospectus, the Issuer has the following subsidiaries, each of which is a Guarantor:

- 1) Singapore Eagle LLC
- 2) Stamford Eagle LLC
- 3) Sandpiper Shipping LLC
- 4) Roadrunner Shipping LLC
- 5) Puffin Shipping LLC
- 6) Petrel Shipping LLC
- 7) Owl Shipping LLC
- 8) Oriole Shipping LLC
- 9) Thrush Shipping LLC<sup>7</sup>
- 10) Thrasher Shipping LLC
- 11) Egret Shipping LLC
- 12) Crane Shipping LLC
- 13) Canary Shipping LLC
- 14) Bittern Shipping LLC
- 15) Stellar Eagle Shipping LLC
- 16) Crested Eagle Shipping LLC
- 17) Crowned Eagle Shipping LLC
- 18) Jaeger Shipping LLC
- 19) Cardinal Shipping LLC
- 20) Kestrel Shipping LLC
- 21) Skua Shipping LLC
- 22) Shrike Shipping LLC
- 23) Tern Shipping LLC
- 24) Osprey Shipping LLC
- 25) Goldeneye Shipping LLC
- 26) Merlin Shipping LLC
- 27) Condor Shipping LLC
- 28) Hawk Shipping LLC

---

**Group Company**

means any person which is a member of the Group

---

**Initial Vessel**

Means the dry bulk carriers as set out below, each being fully owned by each of the current Guarantors:

<b>Vessel</b>	<b>Built</b>	<b>IMO No.</b>
Singapore Eagle	3 January 2017	9788100
Stamford Eagle	15 February 2016	9441269
Sandpiper Bulker	18 October 2011	9441271
Roadrunner Bulker	1 September 2011	9274575

---

<sup>7</sup> On 23 March 2018, the Issuer signed a memorandum of agreement to sell the vessel Thrush for USD 10.9 million after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Issuer expects to recognize a gain of USD 0.4 million.

Puffin Bulker	18 August 2011	9224659
Petrel Bulker	13 July 2011	9441283
Owl	8 July 2011	9478626
Oriole	19 May 2011	9418729
Thrush	5 January 2011	9441295 <sup>8</sup>
Thrasher	28 January 2010	9244855
Egret Bulker	16 January 2010	9224661
Crane	12 January 2010	9284843
Canary	15 December 2009	9296157
Bittern	20 October 2009	9223552
Stellar Eagle	24 March 2009	9441374
Crested Eagle	1 February 2009	9241504
Crowned Eagle	11 November 2008	9441386
Jaeger	29 October 2004	9441398
Cardinal	1 July 2004	9441403
Kestrel I	3 June 2004	9441415
Skua	16 May 2003	9441427
Shrike	26 March 2003	9237187
Tern	1 January 2003	9237199
Osprey I	1 July 2002	9735127
Goldeneye	15 January 2002	9514004
Merlin	1 March 2001	9266190
Condor	1 January 2001	9347932
Hawk I	1 January 2001	9347920

<b>Intercreditor Agreement</b>	The intercreditor agreement dated 8 December 2017 entered into in connection with the Bond Issue.
<b>Intra-Group Debt</b>	means any loans made between any of the Group Companies. Any Intra-Group Debt shall be fully subordinated to the Secured Obligations, but may be serviced unless an Event of Default has occurred.
<b>Issuer or EB Shipco</b>	Eagle Bulk Shipco LLC, a company existing under the laws of the Republic of the Marshall Islands with registration number 963693
<b>LIBOR</b>	London Interbank Offered Rate
<b>Managers</b>	<p>means the managers for the Bond Issue, being</p> <ul style="list-style-type: none"> <li>– DNB Markets;</li> <li>– Fearnley Securities AS; and</li> <li>– Skandinaviska Enskilda Banken AB (publ)</li> </ul> <p>and the co-managers, being</p> <ul style="list-style-type: none"> <li>– Arctic Securities AS; and</li> <li>– Credit Agricole CIB</li> </ul>

<sup>8</sup> On 23 March 2018, the Issuer signed a memorandum of agreement to sell the vessel Thrush for USD 10.9 million after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Issuer expects to recognize a gain of USD 0.4 million.

<b>Maturity Date</b>	28 November 2022 (subject to the Business Day Convention)
<b>Nominal Amount</b>	Means the denomination of each of the Bonds, as set out in Clause 2.1 of the Bond Agreement and to be adjusted upon any partial redemption as provided for in Chapter 10 of the Bond Agreement.
<b>Norwegian FSA</b>	The Financial Supervisory Authority of Norway
<b>Outstanding Bonds</b>	means any Bonds issued in accordance with the Bond Agreement to the extent not redeemed or otherwise discharged.
<b>Parent</b>	Eagle Bulk Shipping Inc.
<b>Parent Group</b>	Means the Parent together with its consolidated subsidiaries.
<b>Permitted Disposal</b>	means any sale or disposal of a Security Vessel or the shares of a Vessel Owner, provided however, that any disposal of a Security Vessel or a Vessel Owner shall be conditional upon no Event of Default arising as a result of such disposal including the Issuer receiving satisfactory evidence that there will be no claims from that Vessel Owner against any Group Company following completion of the disposal, and any such sale or disposal shall only constitute a Permitted Disposal if the net proceeds received from a Permitted Disposal is paid directly into the Disposal Account.
<b>Prospectus</b>	This document dated 9 May 2018.
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and of the European Council of 4 November 2003 regarding information contained in prospectuses, and amendments thereto, including the 2010 PD Amending Directive.
<b>RCF Creditors</b>	means the finance parties under the RCF Finance Documents.
<b>RCF Finance Documents</b>	means the agreement(s) for the Revolving Credit Facility or other document entered into in relation to the Revolving Credit Facility.
<b>Revolving Credit Facility or RCF</b>	means the revolving credit facility to be provided to the Issuer and/or any other Group Companies by a financial institution with an aggregate maximum commitment of USD 15,000,000 as further described in the Bond Agreement, attached hereto as Appendix 1.
<b>Secured Obligations</b>	means all present and future obligations and liabilities at any time due, owing or incurred by any Group Company to any of the Secured Parties under the Finance Documents and the RCF Finance Documents, both actual and contingent.
<b>Secured Parties</b>	means the Security Agent, the Bond Trustee (on behalf of itself and the Bondholders) and the RCF Creditors
<b>Securities Act</b>	means the U.S. Securities Act of 1933, as amended.
<b>Securities Trading Act</b>	means the Norwegian Securities Trading Act of 2007 no.75.

<b>Security</b>	means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.
<b>Security Agent</b>	means the Bond Trustee or any successor Security Agent, acting for and on behalf of the Secured Parties in accordance with the Intercreditor Agreement, any Security Agent Agreement or any other Finance Document.
<b>Security Agent Agreement</b>	means any agreement whereby the Security Agent is appointed to act as such in the interest of the Bond Trustee (on behalf of itself and the Bondholders).
<b>Security Vessel</b>	means the Initial Vessels, any Additional Vessels and (for the avoidance of doubt) any other dry bulk vessel owned by any Group Company.
<b>Shareholder Loans</b>	<p>means any existing or future loan provided to the Issuer by any direct or indirect shareholder of the Issuer or any other affiliated party not being a Group Company and provided such loans are fully subordinated:</p> <p style="padding-left: 40px;">(i) to the Bond Agreement and the other Finance Documents; and</p> <p style="padding-left: 40px;">(ii) to the Intra-Group Debt,</p> <p>and provided that no cash interest payment or repayment of principal shall occur prior to the Maturity Date other than to the extent permitted in accordance with applicable dividend restrictions or by way of conversion to equity.</p>
<b>Transaction Security Documents</b>	means, collectively, the Escrow Account Pledge and all of the documents which shall be executed or delivered pursuant to Clause 2.5 (Transaction Security) of the Bond Agreement and the Additional Security, made in favour of the Security Agent (on behalf of the Secured Parties), expressed to create any Security by the relevant grantor thereof in respect of the Issuer's obligations including but not limited to principal, fees and expenses, under any of the Finance Documents.
<b>U.S. or United States</b>	The United States of America.
<b>USD or U.S. dollars</b>	United States Dollars, the lawful currency in the United States.
<b>US GAAP</b>	Generally accepted accounting principles in the United States.
<b>Voting Bonds</b>	means the Outstanding Bonds less the Issuer's Bonds and a Voting Bond shall mean any single one of those Bonds.
<b>Written Resolution</b>	means a written (or electronic) solution for a decision making among the Bondholders, as set out in Clause 15.5 of the Bond Agreement.

**APPENDIX 1:**  
**THE BOND AGREEMENT**



**BOND TERMS**

**FOR**

**Eagle Bulk ShipCo LLC 8.250% senior secured USD 200,000,000 bonds  
2017/2022**

**ISIN NO0010810872 after the Compliance Period.**

**In the Compliance Period ISIN NO0010810864**

## Contents

Clause	Page
1. INTERPRETATION .....	3
2. THE BONDS .....	19
3. THE BONDHOLDERS .....	21
4. ADMISSION TO LISTING .....	22
5. REGISTRATION OF THE BONDS .....	22
6. CONDITIONS FOR DISBURSEMENT .....	22
7. REPRESENTATIONS AND WARRANTIES .....	25
8. PAYMENTS IN RESPECT OF THE BONDS .....	28
9. INTEREST .....	30
10. REDEMPTION AND REPURCHASE OF BONDS.....	30
11. PURCHASE AND TRANSFER OF BONDS.....	33
12. INFORMATION UNDERTAKINGS.....	34
13. GENERAL AND FINANCIAL UNDERTAKINGS.....	35
14. EVENTS OF DEFAULT AND ACCELERATION OF THE BONDS .....	40
15. BONDHOLDERS' DECISIONS.....	43
16. THE BOND TRUSTEE .....	48
17. AMENDMENTS AND WAIVERS.....	52
18. MISCELLANEOUS.....	53
19. GOVERNING LAW AND JURISDICTION.....	55

SCHEDULE 1 COMPLIANCE CERTIFICATE

SCHEDULE 2 RELEASE NOTICE – ESCROW ACCOUNT

SCHEDULE 3 INITIAL VESSELS

SCHEDULE 4 APPROVED BROKERS

<b>BOND TERMS</b>	
<b>ISSUER:</b>	Eagle Bulk ShipCo LLC, a company existing under the laws of the Republic of the Marshall Islands with registration number 963693; and
<b>BOND TRUSTEE:</b>	Nordic Trustee AS, a company existing under the laws of Norway with registration number 963 342 624.
<b>DATED:</b>	22 November 2017
These Bond Terms shall remain in effect for so long as any Bonds remain outstanding.	

## 1. INTERPRETATION

### 1.1 Definitions

The following terms will have the following meanings:

**“Acceptable Bank”** means (a) any Norwegian banking institution, (b) the agent under the Revolving Credit Facility or (c) any other bank having a credit rating of A- or better.

**“Acceptable Jurisdiction”** means the Republic of the Marshall Islands, Liberia, United Kingdom or any other jurisdiction acceptable to the Bond Trustee (in consultation with its advisors).

**“Account”** means the following accounts opened and maintained by the Issuer with an Account Bank:

- (a) the Escrow Account (in connection with the Issue of the Bonds);
- (b) the Debt Service Retention Account; and
- (c) the Disposal Account (from the occurrence of a Permitted Disposal)

If the Bonds shall be redeemed in full following the Issuer's Call Option or at the Maturity Date the entire amount on these Accounts may be used as partial payment.

**“Account Bank”** means an Acceptable Bank.

**“Additional Security”** means the Security referred to under Additional Security in Clause 2.5 (*Transaction Security*).

**“Additional Vessels”** means any second hand dry bulk carriers built in 2010 or later, acquired by a Group Company (i) by using Excess Cash (as defined below) and/or new equity or Shareholder Loans, and/or (ii) using proceeds from a Permitted Disposal. Any Additional Vessels shall be subject to the Additional Security and the acquisition of any

Additional Vessels shall be subject to delivery of the Additional Security (in relation to such Additional Vessel and any new Vessel Owner).

**“Affiliate”** means, in relation to any specified person:

- (a) any person which is a Subsidiary of the specified person;
- (b) any person who has Decisive Influence over the specified person (directly or indirectly); and
- (c) any person which is a Subsidiary of an entity who has Decisive Influence (directly or indirectly) over the specified person.

**“Annual Financial Statements”** means the audited unconsolidated and consolidated annual financial statements of the Issuer for any financial year, prepared in accordance with GAAP, such financial statements to include a profit and loss account, balance sheet, cash flow statement and report of the board of directors.

**“Approved Brokers”** means the brokers listed in Schedule 4 and any other an independent and well-reputed sale and purchase broker familiar with the market for the vessel(s) approved by the Bond Trustee (in consultation with its advisors).

**“Approved Flag State”** means any of the Republic of the Marshall Islands, Liberia, United Kingdom, Hong Kong, Bermuda, Isle of Man or another flag state acceptable to the Bond Trustee.

**“Assignment of Earnings”** means the English law assignment (to the extent not included in the Charter Contract Assignments) of all earnings and requisition compensation related to each Security Vessel by the relevant Vessel Owner through a general assignment (with notice only to be given to the relevant charterer in case of Charter Contracts with firm duration of more than 12 months), in each case to the extent permitted pursuant to the relevant Charter Contract (the Issuer and/or Vessel Owners shall use its reasonable endeavors to obtain consent from the charterer or other debtor under Charter Contracts with firm duration of more than 12 months) and applicable law.

**“Assignment of Insurances”** means the English law assignment of claims of each Vessel Owner under the Mandatory Insurances covering its Security Vessel.

**“Assignment of Intra-Group Debt”** means the limited recourse assignment over all claims from the Parent, and/or any Group Company against any Group Company (including but not limited to Intra-Group Debt, Cash Pool Receivables and Shareholder Loans), which limited recourse assignment shall provide that the sole recourse against each assignor under the assignment shall be with respect to the claim assigned against any Group Company.

**“Bank Facility”** means the amended and restated first lien loan agreement (outstanding USD 200,000,000) maturing on 15 October 2019 and with ABN Amro as facility agent.

**“Bond Terms”** means these terms and conditions, including all Schedules hereto which shall form an integrated part of the Bond Terms, in each case as amended and/or supplemented from time to time.

**“Bond Trustee”** means the company designated as such in the preamble to these Bond Terms, or any successor, acting for and on behalf of the Bondholders in accordance with these Bond Terms.

**“Bond Trustee Agreement”** means the agreement entered into between the Issuer and the Bond Trustee relating among other things to the fees to be paid by the Issuer to the Bond Trustee for its obligations relating to the Bonds.

**“Bondholder”** means a person who is registered in the CSD as directly registered owner or nominee holder of a Bond, subject however to Clause 3.3 (*Bondholders’ rights*).

**“Bondholders’ Meeting”** means a meeting of Bondholders as set out in Clause 14.

**“Bonds”** means the debt instruments issued by the Issuer pursuant to these Bond Terms.

**“Business Day”** means a day on which both the relevant CSD settlement system is open, and the relevant Bond currency settlement system is open and banks generally are open for business in Oslo and New York.

**“Business Day Convention”** means that if the last day of any Interest Period originally falls on a day that is not a Business Day, no adjustment will be made to the Interest Period.

**“Call Option”** has the meaning given to it in Clause 10.2 (*Voluntary Redemption – Call Option*).

**“Call Option Repayment Date”** means the settlement date for the Call Option determined by the Issuer pursuant to Clause 10.2 (*Voluntary early redemption – Call Option*), or a date agreed upon between the Bond Trustee and the Issuer in connection with such redemption of Bonds.

**“Cash Pool Receivables”** means receivables created under any cash pool arrangement with a bank or financial institution (always subject to any prior right under such cash pool arrangement for the benefit of the bank or financial institution as a provider thereof).

**“Change of Control Event”** means any person or group of persons acting in concert, other than the Permitted Holders, gaining Decisive Influence over the Parent.

**“Charter Contract”** means any charter contract or other contract of employment in respect of the Security Vessels, such contracts to be entered into by the respective Vessel Owner.

**“Charter Contract Assignment”** means the English law assignments of the rights of each Vessel Owner under any Charter Contract having a firm duration of minimum 18 months (provided that an assignment is permitted pursuant to the terms of the Charter Contract and applicable law (it being understood that the Issuer shall use reasonable efforts to agree a Charter Contract that allows assignment)), and the Issuer shall give notice and use its

reasonable endeavors to obtain consent and acknowledgement of such assignment from the charterer.

**“Closing Procedure”** means the agreed closing procedure pursuant to Clause 6.1.

**“Commercial Manager”** means Eagle Bulk Management LLC.

**“Compliance Certificate”** means a statement substantially in the form as set out in Schedule 1 hereto.

**“Compliance Period”** shall have the meaning ascribed to such term in paragraph (a) of Clause 11.2 (*Restrictions*).

**“CSD”** means the central securities depository in which the Bonds are registered, being Verdisentralen ASA.

**“Cure Vessel”** means an otherwise unencumbered vessel (other than a Vessel) in respect of which a first priority mortgage and other security based on the existing Transaction Security Documents is provided by the Group in favour of the Security Agent (on behalf of the Secured Parties) as additional security.

**“Debt Service Retention Account”** means a debt service retention account with an Acceptable Bank (which shall waive any set-off rights), pledged, but not blocked prior to an Event of Default, on a first priority basis in favor of the Bond Trustee (on behalf of the Bondholders).

**“Decisive Influence”** means a person having, as a result of an agreement or through the ownership of shares or interests in another person (directly or indirectly):

- (a) a majority of the voting rights in that other person; or
- (b) a right to elect or remove a majority of the members of the board of directors of that other person.

**“Default Notice”** means a written notice to the Issuer as described in Clause 14.2 (*Acceleration of the Bonds*).

**“Default Repayment Date”** means the settlement date set out by the Bond Trustee in a Default Notice requesting early redemption of the Bonds.

**“Disposal Account”** means an account blocked and pledged in favour of the Security Agent (on behalf of the Secured Parties).

**“Distribution”** means any:

- (a) dividend payment or distribution, whether in cash or kind;
- (b) repurchase of own shares or undertake other similar transactions (including, but not limited to total return swaps); or

- (c) loans or other distributions or transactions constituting a transfer of value to its shareholders (including repayment of any Shareholder Loans).

**“DSRA Account Pledge”** means the Norwegian law charge over the Debt Service Retention Account, pledged but not blocked in favour of the Bond Trustee.

**“Earnings Account Pledge”** means the charge over the earnings accounts of each Vessel Owner (provided such charge is permitted pursuant to the relevant account agreement), pledged but not blocked in favour of the Security Agent.

**“Enforcement Proceeds”** shall have the meaning ascribed to such term in Clause 2.4 (*Status of the Bonds*).

**“Escrow Account”** means an account in the name of the Issuer with an Acceptable Bank, pledged and blocked on first priority as security for the Issuer’s obligations under the Finance Documents. The Escrow Account may be exchanged with another escrow arrangement acceptable to the Bond Trustee in connection with agreement on the Closing Procedure.

**“Escrow Account Pledge”** means the pledge over the Escrow Account, where the bank operating the account has waived any set-off rights.

**“Event of Default”** means any of the events or circumstances specified in Clause 14.1 (*Events of Default*).

**“Excess Cash”** means any Free Liquidity of the Group in excess of USD 20,000,000.

**“Exchange”** means:

- (a) Oslo Stock Exchange (Nw: Oslo Børs); or
- (b) any regulated market as such term is understood in accordance with the Markets in Financial Instruments Directive (Directive 2004/39/EC) or the Markets in Financial Instruments Directive 2014/65/EU (MiFID II), as applicable.

**“Finance Documents”** means these Bond Terms, the Bond Trustee Agreement, the Intercreditor Agreement, any Transaction Security Document, any Security Agent Agreement and any other document designated by the Issuer and the Bond Trustee as a Finance Document.

**“Financial Indebtedness”** means any indebtedness for or in respect of:

- (a) moneys borrowed and debt balances at banks or other financial institutions;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, including the Bonds;

- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease (meaning that the lease is capitalised as an asset and booked as a corresponding liability in the balance sheet);
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis provided that the requirements for de-recognition under GAAP are met);
- (f) any derivative transaction entered into and, when calculating the value of any derivative transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount shall be taken into account);
- (g) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of a person which is not a Group Company which liability would fall within one of the other paragraphs of this definition;
- (h) any amount raised by the issue of redeemable shares which are redeemable (other than at the option of the Issuer) before the Maturity Date or are otherwise classified as borrowings under GAAP;
- (i) any amount of any liability under an advance or deferred purchase agreement, if (a) the primary reason behind entering into the agreement is to raise finance or (b) the agreement is in respect of the supply of assets or services and payment is due more than 120 calendar days after the date of supply;
- (j) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing or otherwise being classified as a borrowing under GAAP; and
- (k) without double counting, the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs a) to j) above.

**“Financial Reports”** means the Annual Financial Statements and the Interim Accounts.

**“Financial Support”** means any loans, guarantees, Security or other financial assistance (whether actual or contingent).

**“First Call Date”** means the Interest Payment Date in May 2020.

**“Free Liquidity”** means the freely available, unrestricted and unencumbered consolidated cash balance of the Group as defined in accordance with GAAP including undrawn and available amounts under the Revolving Credit Facility (provided the remaining duration of the Revolving Facility is no less than six (6) calendar months).



**"GAAP"** means generally accepted accounting practices, principles and standards in the United States or, if applicable to the Issuer, International Financial Reporting Standards (IFRS) and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

**"General Manager"** means Eagle Bulk Management LLC (a 100% indirect subsidiary of the Parent).

**"General Management Agreement"** means the agreement for overhead sharing and general management services provided to the Issuer and each Vessel Owner and entered into between the General Manager and the relevant Group Company. The fees payable in respect of the General Management Agreement shall be based on a pro-rata sharing with other entities within the Parent group with reference to the total number of vessels in the Parent group.

**"Government Bond Rate"** means the interest rate of debt securities instruments issued by the government of the jurisdiction issuing the currency of the Bonds at noon on the day falling two Business Days before the notification to the Bondholders of the Make Whole Amount pursuant to Clause 10.2(c).

**"Group"** means the Issuer and its Subsidiaries from time to time and any other entity required to be treated as a subsidiary in the Issuer's consolidated accounts in accordance with GAAP and/or any applicable law.

**"Group Company"** means any person which is a member of the Group.

**"Guarantee"** means the unconditional and irrevocable Norwegian law corporate guarantees (Nw: "Selvskyldnerkausjon") or any other applicable law acceptable to the Bond Trustee up to the full amount outstanding under the Bonds (and the Revolving Credit Facility) from each of the Guarantors and any other guarantee given by a Guarantor in relation to the Finance Documents.

**"Guarantor"** means the Vessel Owners.

**"Guarantor Share Pledge"** means the Marshall Island law pledge granted by the Issuer over all of the shares (100%) in the Guarantors, together with, inter alia, letters of resignation (effective upon a default) from current board members and covenants to obtain such from future board members.

**"Initial Nominal Amount"** means the nominal amount of each Bond as set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

**"Initial Vessel"** means the dry bulk carriers set out in Schedule 3 attached hereto.

**"Insolvent"** means that a person:

- (a) is unable or admits inability to pay its debts as they fall due;
- (b) suspends making payments on any of its debts generally; or

- (c) is otherwise considered insolvent or bankrupt within the meaning of the relevant bankruptcy legislation of the jurisdiction which can be regarded as its center of main interest as such term is understood pursuant to Council Regulation (EC) no. 1346/2000 on insolvency proceedings (as amended).

**“Instalment”** means an instalment pursuant to Clause 10.1 (*Redemption of Bonds*).

**“Intercreditor Agreement”** means an intercreditor agreement in all material respects consistent with the Intercreditor Principles. The Bond Trustee shall be authorised to agree and execute the Intercreditor Agreement on behalf of the Bondholders.

**“Intercreditor Principles”** means the principles for the Intercreditor Agreement set forth in the term sheet for the Bond Issue.

**“Interest Payment Date”** means the last day of each Interest Period, the first Interest Payment Date being 29 May 2018 and the last Interest Payment Date being the Maturity Date.

**“Interest Period”** means, subject to adjustment in accordance with the Business Day Convention, the period between, May and November each year, provided however that an Interest Period shall not extend beyond the Maturity Date.

**“Interest Rate”** means 8.250 percentage points per annum.

**“Interim Accounts”** means the unaudited unconsolidated and consolidated quarterly financial statements of the Issuer for the quarterly period ending on each Quarter Date in each year, prepared in accordance with GAAP.

**“Intra-Group Debt”** means any loans made between any of the Group Companies. Any Intra-Group Debt shall be fully subordinated to the Secured Obligations, but may be serviced unless an Event of Default has occurred.

**“ISIN”** means International Securities Identification Number – the identification number of the Bonds.

**“Issue Date”** means 28 November 2017.

**“Issuer”** means the company designated as such in the preamble to these Bond Terms.

**“Issuer’s Bonds”** means any Bonds which are owned by the Issuer or any Affiliate of the Issuer.

**“Issuer Share Pledge”** means the Marshall Island law limited recourse pledge granted by the Parent over all of the shares (100%) in the Issuer, which limited recourse pledge shall provide that the sole recourse against the Parent shall be with respect to the pledged shares in the Issuer, together with, inter alia, letters of resignation (effective upon a default) from current board members and covenants to obtain such from future board members.

**“Leverage Ratio”** means the ratio of (i) Outstanding Bond Amount and (ii) any drawn amounts under the Revolving Credit Facility or the RCF Bridge (as the case may be), less (a)

any amounts standing to the Issuer's credit on any of the Escrow Account, the Debt Service Retention Account and the Disposal Account and (b) freely available, unrestricted and unencumbered consolidated cash balance of the Group as defined in accordance with GAAP (other than such restrictions and encumbrances made in favour of the Bond Trustee or the Security Agent), to the aggregate of (i) the total book value of the Vessels in accordance with GAAP, and, (ii) the total Market Value of any Cure Vessels.

**"Listing Failure Event"** means that the Bonds have not been admitted to listing on an Exchange within 12 months following the Issue Date.

**"Make Whole Amount"** means an amount equal to the sum of:

- (a) the present value on the relevant Call Option Repayment Date of 104.125 per cent. of the Nominal Amount of the redeemed Bonds as if such payment originally should have taken place on the First Call Date; and
- (b) the present value on the relevant Call Option Repayment Date of the remaining interest payments of the redeemed Bonds (less any accrued but unpaid interest on the redeemed Bonds as of the Call Option Repayment Date) to and including the First Call Date,

where the "present value" (in respect of both (a) and (b) above) shall be calculated by using a discount rate of 50 basis points above the comparable Government Bond Rate (i.e. comparable to the remaining Macaulay duration of the Bonds from the Call Option Repayment Date until the First Call Date using linear interpolation).

**"Manager"** means the managers for the Bond Issue, being DNB Bank ASA, DNB Markets, Fearnley Securities AS and Skandinaviska Enskilda Banken AB (publ) and the co-managers Arctic Securities AS and Credit Agricole.

**"Mandatory Insurances"** means the

- (a) protection and indemnity insurances (P&I);
- (b) hull and machinery insurance (including increased value), and
- (c) war risk insurance (including increased value, protection and indemnity and H&M).

**"Mandatory Prepayment Event"** means:

- (a) a Piracy Event; or
- (b) a Total Loss Event.

**"Market Value"** means the fair market value of the vessel(s) determined as the arithmetic mean of independent valuations of the vessel(s) obtained from two Approved Brokers appointed by the Issuer. Such valuation shall be made on the basis of a sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing seller and willing buyer, on an "as is where is" basis, free of any existing charters or other contracts for employment. The cost of such determination shall be for the account of the Issuer and such determinations shall be made at least semi-annually, or on a case-by-case basis in respect of

any Cure Vessel (based on valuations dated no earlier than 30 days prior to the relevant determination).

**“Material Adverse Effect”** means a material adverse effect on:

- (a) the ability of the Issuer or any Guarantor’s to perform and comply with its obligations under any of the Finance Documents; or
- (b) the validity or enforceability of any of the Finance Documents.

**“Maturity Date”** means 28 November 2022, adjusted according to the Business Day Convention.

**“Mid-Swap Rate”** means the linearly interpolated Reference Rate in the currency of the Bonds for the actual period on the day falling two (2) Business Days before the notification to the Bondholders of the Make Whole Amount pursuant to Clause 10.2(c), or, if such is not quoted, the mid-swap rate for the leading banks in the relevant interbank market, based on the last quoted Reference Rate or mid-swap rate in the currency of the Bonds for the actual period.

**“Net Profit”** means the consolidated net profit (or loss) in accordance with GAAP according to the latest relevant financial statement(s).

**“Nominal Amount”** means the Initial Nominal Amount less the aggregate amount by which each Bond has been partially redeemed pursuant to Clause 10 (*Redemption and repurchase of Bonds*).

**“Obligor”** means the Issuer and any Guarantors.

**“Outstanding Bond Amount”** means the Outstanding Bonds multiplied with the Nominal Amount.

**“Outstanding Bonds”** means any Bonds issued in accordance with these Bond Terms to the extent not redeemed or otherwise discharged.

**“Overdue Amount”** means any amount required to be paid by the Issuer under any of the Finance Documents but not made available to the Bondholders on the relevant Payment Date or otherwise not paid on its applicable due date.

**“Parent”** means Eagle Bulk Shipping Inc, a company registered in the Republic of the Marshall Islands with registration number 14155.

**“Paying Agent”** means the legal entity appointed by the Issuer to act as its paying agent with respect to the Bonds in the CSD.

**“Payment Date”** means any Interest Payment Date or any Repayment Date.

**“Permitted Chartering-In”** means the chartering-in of vessels from (i) another Group Company and/or (ii) outside of the Group for a period which in each case is less than 12 months, as well as the operation and chartering-out of vessels mentioned in (i) and (ii).

**“Permitted Disposal”** means any sale or disposal of a Security Vessel or the shares of a Vessel Owner, provided however, that any disposal of a Security Vessel or a Vessel Owner shall be conditional upon no Event of Default arising as a result of such disposal including the Issuer receiving satisfactory evidence that there will be no claims from that Vessel Owner against any Group Company following completion of the disposal, and any such sale or disposal shall only constitute a Permitted Disposal if the net proceeds received from a Permitted Disposal is paid directly into the Disposal Account.

The funds paid into the Disposal Account shall remain pledged and blocked until they are employed (no later than 12 months following the relevant Permitted Disposal) towards either:

- (i) Reinvestment; and/or
- (ii) making a Tender Offer, after which Bonds will be redeemed on a pro rata basis between the Bondholders who accepted the Tender Offer at the relevant tender price (and on the basis of number of Bonds tendered for redemption).

If the funds are not employed as set out above within the date falling 12 months following the relevant Permitted Disposal, any remaining proceeds on the Disposal Account shall remain on the Disposal Account as Security for all amounts outstanding under the Finance Documents, until they are employed towards either (i) financing of the acquisition of any Additional Vessel or (ii) redemption of Bonds following application of the Call Option.

Upon the disposal of a Vessel Owner or Security Vessel and application of proceeds in accordance with the requirements for a Permitted Disposal (or the Bond Trustee being satisfied that proceeds will be so applied and subject to closing mechanics satisfactory to the Bond Trustee), the Bond Trustee shall, upon request and at the Issuer's cost, release the Security held relating solely to the asset sold.

**“Permitted Distribution”** means any Distribution after which the Issuer maintain a Value Adjusted Equity Ratio of minimum:

- (i) 40%, and such Distribution does not exceed 50% of consolidated Net Profit, or
- (ii) 50%, and such Distribution does not exceed 75% of consolidated Net Profit,

for the purpose of items (i) and (ii) above, of the Issuer's consolidated Net Profit shall be based on the latest annual financial statements (and where any unutilised portion of such Net Profit may not be carried forward).

**“Permitted Financial Indebtedness”** means any Financial Indebtedness arising under:

- (a) the Bond Issue;
- (b) a Revolving Credit Facility;
- (c) any Shareholder Loan;
- (d) any Intra-Group Debt;

- (e) the RCF Bridge (prior to establishing the Revolving Credit Facility);
- (f) any hedging in the ordinary course of business of the Group and for non-speculative purposes; and
- (g) any Financial Indebtedness arising in the ordinary course of business and not exceeding USD 3,000,000 in aggregate for the Group.

**“Permitted Holders”** means each of the persons owning more than 15% of the voting stock of the Parent on the Issue Date, in each case, together with their affiliates, investment advisory clients and manager accounts.

**“Permitted Security”** means any Security:

- (a) created under the Transaction Security Documents;
- (b) securing obligations arising in the ordinary course of business and being no higher than USD 5,000,000 (on an aggregate level for the Group), except for any pledge of the shares in the Vessel Owners or mortgages on the Security Vessels; and
- (c) arising by operation of law.

**“PIK Note”** means the second lien loan agreement (outstanding approximately USD 75,000,000) maturing on 14 January 2020 and with Wilmington Savings Fund Society, FSB as agent.

**“Piracy Event”** means an event of expropriation or an act of piracy of a Security Vessel (to the extent not a Total Loss Event and provided always that such act of piracy event shall have continued for a period of more than 210 calendar days).

**“Put Option”** shall have the meaning ascribed to such term in Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

**“Put Option Event”** means a Change of Control Event.

**“Put Option Repayment Date”** means the settlement date for the Put Option Event pursuant to Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

**“QIB”** shall have the meaning ascribed to such term in paragraph (a) of Clause 11.2 (*Restrictions*).

**“Quarter Date”** means each 31 March, 30 June, 30 September and 31 December.

**“RCF Bridge”** means an unsecured loan or credit facility granted to the Issuer by the Parent towards working capital and general corporate purposes of the Group, and where all outstanding amount under the RCF Bridge shall be repaid when the Revolving Credit Facility is established.

**“RCF Creditors”** means the finance parties under the RCF Finance Documents.

**“RCF Finance Documents”** means the agreement(s) for the Revolving Credit Facility or other document entered into in relation to the Revolving Credit Facility.

**“Redemption Amount”** means:

$$\frac{\text{Market Value of Security Vessel(s) sold or disposed of}}{\text{Market Value of all Security Vessels prior to sale}} \times B$$

- (i) based on Market Value valuations according to the latest valuations at the time of the relevant Mandatory Prepayment Event);
- (ii) where *B* is the aggregate principal amount of outstanding bonds at the time of redemption; and
- (iii) where a Vessel Owner is sold, "Security Vessel" shall for the purposes of this formula mean the Security Vessel owned by that Vessel Owner.

**“Reinvestment”** means financing (in whole or in part) of the acquisition of any Additional Vessel(s) (acquired on terms no less favourable to the relevant Group Company than arms-length terms) either externally or from another entity within the Parent group (which is not a Group Company) and over which Additional Security shall be granted.

**“Relevant Jurisdiction”** means the country in which the Bonds are issued, being Norway.

**“Relevant Record Date”** means the date on which a Bondholder’s ownership of Bonds shall be recorded in the CSD as follows:

- (a) in relation to payments pursuant to these Bond Terms, the date designated as the Relevant Record Date in accordance with the rules of the CSD from time to time;
- (b) for the purpose of casting a vote in a Bondholders’ Meeting, the date falling on the immediate preceding Business Day to the date of that Bondholders’ Meeting being held, or another date as accepted by the Bond Trustee; and
- (c) for the purpose of casting a vote in a Written Resolution:
  - (i) the date falling 3 Business Days after the Summons have been published; or,
  - (ii) if the requisite majority in the opinion of the Bond Trustee has been reached prior to the date set out in paragraph (i) above, on the date falling on the immediate Business Day prior to the date on which the Bond Trustee declares that the Written Resolution has been passed with the requisite majority.

**“Repayment Date”** means any date for payment of Instalments in accordance with Clause 10.1 (*Redemption of Bonds*), any Call Option Repayment Date, the Default Repayment Date, the Put Option Repayment Date, the Tax Event Repayment Date or the Maturity Date.

**“Reporting Date”** means each date on which the Issuer reports its Financial Reports.

**“Revolving Credit Facility”** means the revolving credit facility to be provided to the Issuer and/or any other Group Companies by a financial institution with an aggregate maximum commitment of USD 15,000,000.

The Issuer (and any other borrower thereunder) may apply amounts borrowed by it under the Revolving Credit Facility towards *inter alia*:

- (i) repayment of the RCF Bridge (and such repayment is not to be restricted by these Bond Terms);
- (ii) acquisitions of Additional Vessels (or additional Vessel Owners as the case may be); and
- (iii) general corporate and working capital purposes of the Group.

All amounts outstanding under the RCF Finance Documents shall be secured by the same security assets as covered by Clause 2.5 (*Transaction Security*) (including any subsequent security in respect of any Cure Vessel or cash collateral), other than the pledge created over the Debt Service Retention Account, to be shared between the Secured Parties in accordance with the terms of the Intercreditor Agreement.

The Revolving Credit Facility shall rank super senior to the Bonds with respect to any Enforcement Proceeds, pursuant to the terms of the Intercreditor Agreement. Interest can be paid under the Revolving Credit Facility and the Bonds (in respect of the Bonds only, limited to an amount available on the Debt Service Retention Account) also following an acceleration event.

**“Rule 144A”** shall have the meaning ascribed to such term in paragraph (a) of Clause 11.2 (*Restrictions*).

**“Schedule”** means each of the attachments to these Bond Terms.

**“Secured Obligations”** means all present and future obligations and liabilities at any time due, owing or incurred by any Group Company to any of the Secured Parties under the Finance Documents and the RCF Finance Documents, both actual and contingent.

**“Secured Parties”** means the Security Agent, the Bond Trustee (on behalf of itself and the Bondholders) and the RCF Creditors.

**“Securities Act”** shall have the meaning ascribed to such term in paragraph (a) of Clause 11.2 (*Restrictions*).

**“Securities Trading Act”** means the Securities Trading Act of 2007 no.75 of the Relevant Jurisdiction.

**“Security”** means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.



**“Security Agent”** means the Bond Trustee or any successor Security Agent, acting for and on behalf of the Secured Parties in accordance with the Intercreditor Agreement, any Security Agent Agreement or any other Finance Document.

**“Security Agent Agreement”** means any agreement whereby the Security Agent is appointed to act as such in the interest of the Bond Trustee (on behalf of itself and the Bondholders).

**“Security Vessel”** means the Initial Vessels, any Additional Vessels and (for the avoidance of doubt) any other dry bulk vessel owned by any Group Company.

**“Shareholder Loans”** means any existing or future loan provided to the Issuer by any direct or indirect shareholder of the Issuer or any other affiliated party not being a Group Company and provided such loans are fully subordinated:

- (i) to the Bond Terms and the other Finance Documents; and
- (ii) to the Intra-Group Debt,

and provided that no cash interest payment or repayment of principal shall occur prior to the Maturity Date other than to the extent permitted in accordance with applicable dividend restrictions or by way of conversion to equity.

**“Subsidiary”** means an entity over which another entity has Decisive Influence.

**“Summons”** means the call for a Bondholders’ Meeting or a Written Resolution as the case may be.

**“Tax Event Repayment Date”** means the date set out in a notice from the Issuer to the Bondholders pursuant to Clause 10.4 (*Early redemption option due to a tax event*).

**“Technical Manager”** means Eagle Ship Management LLC.

**“Tender Offer”** means an offer to the Bondholders to redeem Bonds at a price of minimum 100% of the Nominal Amount (plus accrued interest on redeemed amount), or such higher price or range as the Issuer in its discretion may decide, during a period of ten (10) Business Days following the offer.

**“Top Account Pledge”** means the charge over the top account in any cash pool structure of the Group, or, if no such cash pool is in place, the operating account of the Issuer, pledged but not blocked in favour of the Security Agent.

**“Total Liabilities”** means the aggregate amount of the consolidated total liabilities of the Group, calculated in accordance with GAAP.

**“Total Loss Event”** means an event where there is an actual or constructive total loss of a Security Vessel.

**“Transaction Security”** means the Security created or expressed to be created in favour of the Security Agent (on behalf of the Secured Parties) pursuant to the Transaction Security Documents.

**“Transaction Security Documents”** means, collectively, the Escrow Account Pledge and all of the documents which shall be executed or delivered pursuant to Clause 2.5 (*Transaction Security*) and the Additional Security, made in favour of the Security Agent (on behalf of the Secured Parties), expressed to create any Security by the relevant grantor thereof in respect of the Issuer’s obligations including but not limited to principal, fees and expenses, under any of the Finance Documents.

**“Value Adjusted Equity”** means Value Adjusted Total Assets less Total Liabilities.

**“Value Adjusted Equity Ratio”** means Value Adjusted Equity over Value Adjusted Total Assets.

**“Value Adjusted Total Assets”** means the book value on a consolidated basis of all assets of the Group according to GAAP, adjusted for the difference between the consolidated book value of the Security Vessels and the consolidated Market Value of the Security Vessels.

**“Vessel Management Agreements”** means any commercial, crewing and/or technical management agreements for the Security Vessels (as amended from time to time) entered into between each of the Vessel Owners and the respective Vessel Manager.

**“Vessel Manager”** means (i) the Commercial Manager, (ii) the Technical Manager and/or (iii) any other entity (being an entity within the Parent group or a third party acceptable to the agent of the RCF Creditors) entering into a Vessel Management Agreement with a Vessel Owner on terms no less favourable to such Vessel Owner than arms-length terms and otherwise in compliance with the term hereof.

**“Vessel Mortgages”** means the Marshall Island law mortgages over the Security Vessels including all relevant equipment being legally part of the Security Vessels under applicable law, including any deed of covenants supplemental to the Vessel Mortgages and to the security thereby created between the Issuer and the Security Agent.

**“Vessel Owners”** means the single purpose limited liability companies, each being the sole legal and beneficial owner of a Security Vessel. All Vessel Owners are or will become 100% directly or indirectly owned Subsidiaries of the Issuer and registered in the Republic of the Marshall Islands.

**“Voting Bonds”** means the Outstanding Bonds less the Issuer’s Bonds and a Voting Bond shall mean any single one of those Bonds.

**“Written Resolution”** means a written (or electronic) solution for a decision making among the Bondholders, as set out in Clause 15.5 (*Written Resolutions*).

## **1.2 Construction**

In these Bond Terms, unless the context otherwise requires:

- (a) headings are for ease of reference only;
- (b) words denoting the singular number will include the plural and vice versa;
- (c) references to Clauses are references to the Clauses of these Bond Terms;
- (d) references to a time are references to Central European time unless otherwise stated;
- (e) references to a provision of “**law**” is a reference to that provision as amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law;
- (f) references to a “**regulation**” includes any regulation, rule, official directive, request or guideline by any official body;
- (g) references to a “**person**” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, unincorporated organization, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality;
- (h) references to Bonds being “**redeemed**” means that such Bonds are cancelled and discharged in the CSD in a corresponding amount, and that any amounts so redeemed may not be subsequently re-issued under these Bond Terms;
- (i) references to Bonds being “**purchased**” or “**repurchased**” by the Issuer means that such Bonds may be dealt with by the Issuer as set out in Clause 11.1 (*Issuer’s purchase of Bonds*).
- (j) references to persons “**acting in concert**” shall be interpreted pursuant to the relevant provisions of the Securities Trading Act; and
- (k) an Event of Default is “**continuing**” if it has not been remedied or waived.

## **2. THE BONDS**

### **2.1 Amount, denomination and ISIN of the Bonds**

- (a) The Issuer has resolved to issue a series of Bonds in the amount of USD 200,000.000.
- (b) The Bonds are denominated in US Dollars (USD), being the legal currency of the United States of America.
- (c) The Initial Nominal Amount of each Bond is USD 1.00.
- (d) The ISIN of the Bonds is NO 0010810872 after the Compliance Period and ISIN NO 0010810864 in the Compliance Period. All Bonds issued under both ISINs will have identical terms and conditions as set out in these Bond Terms.

### **2.2 Tenor of the Bonds**

The tenor of the Bonds is from and including the Issue Date to but excluding the Maturity Date.

### 2.3 Use of proceeds

The Issuer shall use the net proceeds from the issuance of the Bonds (net of legal costs, fees of the Managers and the Bond Trustee and any other agreed costs and expenses) to repay (as a distribution or otherwise):

- (i) the Bank Facility with an amount of approximately USD 125 million; and
- (ii) the PIK Note in full with an amount of approximately USD 75 million,

and any surplus amounts (if any) shall be applied for the general corporate purposes of the Group.

### 2.4 Status of the Bonds

The Bonds will constitute unsubordinated and secured senior debt obligations of the Issuer. The Bonds will rank *pari passu* between themselves and will rank at least *pari passu* with all other obligations of the Issuer (except in respect of claims mandatorily preferred by law), and, subject to the super senior status of the Revolving Credit Facility. The RCF Creditors will receive (i) the proceeds from any enforcement of the Security and the Guarantees and certain distressed disposals and (ii) any payments following any other enforcement event in respect of any shared Security (collectively the "**Enforcement Proceeds**"), prior to the Bondholders and the Bond Trustee, but otherwise rank *pari passu* in right of payment with the Bonds, in accordance with the waterfall provisions of the Intercreditor Agreement, subject to obligations which are mandatorily preferred by law.

### 2.5 Transaction Security

- (a) As Security for the due and punctual fulfilment of the Secured Obligations, the Issuer shall procure that the following Transaction Security is granted in favour of the Security Agent, except for the Escrow Account Pledge and the DSRA Account Pledge which shall only be granted in favour of the Bond Trustee (on behalf of the Bondholders), with first priority and within the times agreed in Clause 6 (*Conditions for disbursement*):

#### Pre-Settlement Security:

- (i) the Escrow Account Pledge;

#### Pre-Disbursement Security:

- (i) the Guarantees;
- (ii) the Vessel Mortgages;
- (iii) the Issuer Share Pledge;
- (iv) the Guarantor Share Pledge;
- (v) the Charter Contract Assignments;
- (vi) the Assignments of Earnings;

- (vii) the DSRA Account Pledge;
- (viii) the Earnings Account Pledges;
- (ix) the Top Account Pledge;
- (x) the Assignments of Insurances; and
- (xi) the Assignments of Intra-Group Debt.

Additional Security:

The Pre-Disbursement Security in (i) – (ii) and (iv) - (xi) above shall be established also for any Additional Vessels and any additional Vessel Owners, to the extent not previously provided, upon delivery of such Additional Vessel.

- (b) The Pre-Settlement Security shall be established no later than two (2) Business Days prior to the Issue Date. The Pre-Disbursement Security shall be established prior to the relevant release from the Escrow Account or in connection with such release in accordance with the Closing Procedure as described under Clause 6.1 (*Conditions precedent for disbursement to the Issuer*).
- (c) The Security Agent may in its sole discretion elect any other governing law under each respective Transaction Security Document.
- (d) The Transaction Security and the Intercreditor Agreement shall be entered into on such terms and conditions as the Bond Trustee in its discretion deems appropriate in order to create the intended benefit for the Secured Parties under the relevant document.

### **3. THE BONDHOLDERS**

#### **3.1 Bond Terms binding on all Bondholders**

- (a) Upon registration of the Bonds in the CSD, the Bondholders shall be bound by the terms and conditions of these Bond Terms and any other Finance Document without any further action or formality being required to be taken or satisfied.
- (b) The Bond Trustee is always acting with binding effect on behalf of all the Bondholders.

#### **3.2 Limitation of rights of action**

- (a) No Bondholder is entitled to take any enforcement action, instigate any insolvency procedures, or take other action against the Issuer or any other party in relation to any of the liabilities of the Issuer or any other party under or in connection with the Finance Documents, other than through the Bond Trustee and in accordance with these Bond Terms, provided, however, that the Bondholders shall not be restricted from exercising any of their individual rights derived from these Bond Terms, including the right to exercise the Put Option.
- (b) Each Bondholder shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form

and substance satisfactory to the Bond Trustee), as the Bond Trustee deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Bond Trustee is under no obligation to represent a Bondholder which does not comply with such request.

### **3.3 Bondholders' rights**

- (a) If a beneficial owner of a Bond not being registered as a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain proof of ownership of the Bonds, acceptable to the Bond Trustee.
- (b) A Bondholder (whether registered as such or proven to the Bond Trustee's satisfaction to be the beneficial owner of the Bond as set out in paragraph (a) above) may issue one or more powers of attorney to third parties to represent it in relation to some or all of the Bonds held or beneficially owned by such Bondholder. The Bond Trustee shall only have to examine the face of a power of attorney or similar evidence of authorisation that has been provided to it pursuant to this Clause 3.3 (*Bondholders' rights*) and may assume that it is in full force and effect, unless otherwise is apparent from its face or the Bond Trustee has actual knowledge to the contrary.

## **4. ADMISSION TO LISTING**

- (a) The Issuer has applied, or shall within 6 months of the Issue Date apply, for the Bonds to be admitted to listing on Oslo Stock Exchange (Nw: Oslo Børs).
- (b) Upon the occurrence of a Listing Failure Event, the Interest Rate of the Bonds shall increase by 0.50 per cent.

## **5. REGISTRATION OF THE BONDS**

### **5.1 Registration in the CSD**

The Bonds shall be registered in dematerialised form in the CSD according to the relevant securities registration legislation and the requirements of the CSD.

### **5.2 Obligation to ensure correct registration**

The Issuer will at all times ensure that the registration of the Bonds in the CSD is correct and shall immediately upon any amendment or variation of these Bond Terms give notice to the CSD of any such amendment or variation.

### **5.3 Country of issuance**

The Bonds have not been issued under any other country's legislation than that of the Relevant Jurisdiction. Save for the registration of the Bonds in the CSD, the Issuer is under no obligation to register, or cause the registration of, the Bonds in any other registry or under any other legislation than that of the Relevant Jurisdiction.

## **6. CONDITIONS FOR DISBURSEMENT**

### **6.1 Conditions precedent for disbursement to the Issuer**

- (a) Payment of the net proceeds (net of fees to the Managers and legal costs) from the issuance of the Bonds into the Escrow Account shall be conditional on the Bond

Trustee having received at least two (2) Business Days prior to the Issue Date each of the following documents, in form and substance satisfactory to the Bond Trustee:

- (i) these Bond Terms duly executed by all parties thereto;
  - (ii) the Bond Trustee Agreement duly executed;
  - (iii) copies of corporate documents of the Issuer, necessary corporate resolutions of the Issuer (including authorisations), any necessary governmental approvals, consent or waivers (as the case may be) to issue the Bonds and execute the Finance Documents to which the Issuer is a party
  - (iv) any statements or legal opinions reasonably required by the Bond Trustee;
  - (v) the Pre-Settlement Security set out in paragraph (i) of Clause 2.5 (*Transaction Security*) duly executed by all parties thereto (including all applicable notices, acknowledgements and consents from the Account Bank) and perfected;
  - (vi) copies of the Issuer's latest Financial Reports (if any);
  - (vii) confirmation that the applicable prospectus requirements (ref the EU prospectus directive (2003/71 EC)) concerning the issuance of the Bonds have been fulfilled;
  - (viii) confirmation that the Bonds are registered in the CSD;
  - (ix) copies of any written documentation used in marketing the Bonds or made public by the Issuer or any Manager in connection with the issuance of the Bonds; and
  - (x) a statement from the Issuer confirming that no (potential) Event of Default has occurred and is continuing.
- (b) The net proceeds from the issuance of the Bonds will not be released from the Escrow Account and disbursed to the Issuer unless the Bond Trustee has received or is satisfied that it will receive in due time (as described in the Closing Procedure) prior to such disbursement to the Issuer each of the following documents, in form and substance satisfactory to the Bond Trustee:
- (i) a duly executed release notice from the Issuer;
  - (ii) satisfactory documentation evidencing that the amount to be released shall be applied in accordance with the purpose of the bond issue as defined in Clause 2.3 (*Use of proceeds*);
  - (iii) satisfactory documentation evidencing that the relevant Accounts are opened;
  - (iv) all Transaction Security Documents duly executed by all parties thereto (including all applicable notices, acknowledgements and consents from the

Account Bank and other counterparties) and evidence of the establishment and perfection of the Transaction Security;

- (v) the relevant Finance Documents (unless delivered under paragraph (a) above) in satisfactory form duly executed and perfected (as applicable) (provided that the Intercreditor Agreement shall not be required until the Revolving Credit Facility is established);
- (vi) the General Management Agreements and the Vessel Management Agreements in acceptable form and duly executed;
- (vii) pro-forma balance sheet dated on the release date showing that (a) the Group has no other Financial Indebtedness than such Financial Indebtedness incurred pursuant to the Finance Documents or permitted thereunder, and (b) the Group has Free Liquidity of minimum USD 20,000,000, duly certified by a director of the Issuer;
- (viii) satisfactory documentation evidencing that the PIK Note and the Bank Facility will be repaid in full as set out in Clause 2.3 (*Use of proceeds*), and the security granted for any amount outstanding thereunder will be released and discharged, following the first release of funds from the Escrow Account;
- (ix) to the extent that the Revolving Credit Facility has been or shall be established before release from the Escrow Account, the Intercreditor Agreement duly executed by all parties thereto;
- (x) the agreed Intercreditor Principles duly executed by the Bond Trustee and the Issuer (to the extent the Intercreditor Agreement has not been executed);
- (xi) a statement from the Issuer confirming that no (potential) Event of Default has occurred and is continuing;
- (xii) corporate documents of the Parent, Vessel Owners and/or any other company granting Pre-Disbursement Security as set out in Clause 2.5 (*Transaction Security*) (as applicable), necessary corporate resolutions (including authorisation) of the Parent, Vessel Owners and/or any other company granting Pre-Disbursement Security as set out in Clause 2.5 (*Transaction Security*) (as applicable), any governmental approvals, consent or waivers required to execute the Finance Documents to which each of them is a party;
- (xiii) any statement or legal opinions reasonably required by the Bond Trustee in form and substance satisfactory to the Bond Trustee;
- (xiv) satisfactory evidence that all Mandatory Insurances have been taken out (including a confirmation from BankServe or other third party insurance advisor acceptable to the Bond Trustee);
- (xv) transcripts from the relevant registry showing that each Security Vessel is duly registered in the name of the respective Vessel Owner, flying the flag of an



Approved Flag State and free and clear of any encumbrances other than any Permitted Security;

- (xvi) a copy of the class certificate for each Security Vessel from the relevant classification society, confirming that the Security Vessel is classed with the highest class normally used for such vessels, free of any outstanding recommendations and conditions of class;
  - (xvii) a copy of the current SMC, ISSC and DOC for the relevant Security Vessels;
  - (xviii) an undertaking from any Vessel Manager within the Parent group, subordinating its claims for fees to the Bonds and granting termination rights to the Bond Trustee in case of a default under the Bond Terms, in form and substance satisfactory to the Bond Trustee;
  - (xix) an undertaking from the General Manager, subordinating its claims for fees to the Bonds and granting termination rights to the Bond Trustee in case of a default under the Bond Terms, in form and substance satisfactory to the Bond Trustee; and
  - (xx) a written undertaking from the Parent, where the Parent undertakes to comply with the Parent Undertakings as included in the term sheet for the Bond Terms, in form and substance satisfactory to the Bond Trustee.
- (c) The Bond Trustee, acting in its reasonable discretion, may waive the deadline or the requirements for documentation set out in this Clause 6.1 (*Conditions precedent for disbursement to the Issuer*), or decide in its discretion that delivery of certain documents as set out in this Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) shall be made subject to an agreed closing procedure (the “**Closing Procedure**”) between the Bond Trustee (in consultation with its advisors) and the Issuer, and, if applicable, existing creditors of the Group. Perfection of security shall be established as soon as possible on or after the first release of funds from the Escrow Account according to the terms of the Closing Procedure, meaning that any documents to be registered may be filed for registration on the date of disbursement of the net proceeds of the Bond Issue from the Escrow Account.

## **6.2 Distribution**

Disbursement of the proceeds from the issuance of the Bonds is conditional on the Bond Trustee’s confirmation to the Paying Agent that the conditions in Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) have been either satisfied in the Bond Trustee’s discretion or waived by the Bond Trustee pursuant to paragraph 6.1(c) above.

## **7. REPRESENTATIONS AND WARRANTIES**

The Issuer makes the representations and warranties set out in this Clause 7 (*Representations and warranties*), in respect of itself and in respect of each Obligor to the Bond Trustee (on behalf of the Bondholders) at the following times and with reference to the facts and circumstances then existing:

- (a) at the Issue Date; and

- (b) on each date of disbursement of proceeds from the Escrow Account.

## **7.2 Information**

All information which has been presented to the Bond Trustee or the Bondholders in relation to the Bonds is, to the best knowledge of the Issuer, having taken all reasonable measures to ensure the same:

- (a) true and accurate in all material respects as at the date the relevant information is expressed to be given; and
- (b) does not omit any material information likely to affect the accuracy of the information as regards the evaluation of the Bonds in any material respects unless subsequently disclosed to the Bond Trustee in writing or otherwise made publicly known.

## **7.3 Status**

It is a limited liability company, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

## **7.4 Power and authority**

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated by those Finance Documents.

## **7.5 Valid, binding and enforceable obligations**

These Bond Terms and each other Finance Document to which it is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

## **7.6 Non-conflict with other obligations**

The entry into and performance by it of these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any law or regulation or judicial or official order; (ii) its constitutional documents; or (iii) any agreement or instrument which is binding upon it or any of its assets.

## **7.7 No Event of Default**

- (i) No Event of Default exists or is likely to result from the making of any drawdown under these Bond Terms or the entry into, the performance of, or any transaction contemplated by, any Finance Document.
- (ii) No other event or circumstance is outstanding which constitutes (or with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or

any of its Subsidiaries') assets are subject which has or is likely to have a Material Adverse Effect.

**7.8 Authorizations and consents**

All authorisations, consents, approvals, resolutions, licenses, exemptions, filings, notarizations or registrations required:

- (i) to enable it to enter into, exercise its rights and comply with its obligations under these Bond Terms or any other Finance Document to which it is a party; and
- (ii) to carry on its business as presently conducted and as contemplated by these Bond Terms,

have been obtained or effected and are in full force and effect.

**7.9 Litigation**

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

**7.10 Financial Reports**

Its most recent Financial Reports fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with GAAP, consistently applied.

**7.11 No Material Adverse Effect**

Since the date of the most recent Financial Reports, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

**7.12 No misleading information**

Any factual information provided by it to the subscribers or the Bond Trustee for the purposes of the issuance of the Bonds was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

**7.13 No withholdings**

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under these Bond Terms.

**7.14 Pari passu ranking**

Its payment obligations under these Bond Terms or any other Finance Document to which it is a party rank at least pari passu as set out in Clause 2.4.

**7.15 Security**

No Security exists over any of the present assets of any Group Company in conflict with these Bond Terms.

#### **7.16 Transaction Security**

The entry into of the Transaction Security Documents and the granting of the Transaction Security do not and will not conflict with:

- (a) any law or regulation applicable to it or any other Obligor;
- (b) its constitutional documents or those of any other Obligor; or
- (c) any agreement or instrument binding upon it or any other Obligor.

### **8. PAYMENTS IN RESPECT OF THE BONDS**

#### **8.1 Covenant to pay**

- (a) The Issuer will unconditionally make available to or to the order of the Bond Trustee and/or the Paying Agent all amounts due on each Payment Date pursuant to the terms of these Bond Terms at such times and to such accounts as specified by the Bond Trustee and/or the Paying Agent in advance of each Payment Date or when other payments are due and payable pursuant to these Bond Terms.
- (b) All payments to the Bondholders in relation to the Bonds shall be made to each Bondholder registered as such in the CSD at the Relevant Record Date, by, if no specific order is made by the Bond Trustee, crediting the relevant amount to the bank account nominated by such Bondholder in connection with its securities account in the CSD.
- (c) Payment constituting good discharge of the Issuer's payment obligations to the Bondholders under these Bond Terms will be deemed to have been made to each Bondholder once the amount has been credited to the bank holding the bank account nominated by the Bondholder in connection with its securities account in the CSD. If the paying bank and the receiving bank are the same, payment shall be deemed to have been made once the amount has been credited to the bank account nominated by the Bondholder in question.
- (d) If a Payment Date or a date for other payments to the Bondholders pursuant to the Finance Documents falls on a day on which either of the relevant CSD settlement system or the relevant currency settlement system for the Bonds are not open, the payment shall be made on the first following possible day on which both of the said systems are open, unless any provision to the contrary have been set out for such payment in the relevant Finance Document.

#### **8.2 Default interest**

- (a) Default interest will accrue on any Overdue Amount from and including the Payment Date on which it was first due to and excluding the date on which the payment is made at the Interest Rate plus an additional three (3) per cent. per annum.
- (b) Default interest accrued on any Overdue Amount pursuant to this Clause 8.2 (*Default interest*) will be added to the Overdue Amount on each Interest Payment Date until the Overdue Amount and default interest accrued thereon have been repaid in full.

### 8.3 Partial payments

- (a) If the Paying Agent or the Bond Trustee receives a payment that is insufficient to discharge all amounts then due and payable under the Finance Documents (a "**Partial Payment**"), such Partial Payment shall, in respect of the Issuer's debt under the Finance Documents be considered made for discharge of the debt of the Issuer in the following order of priority:
  - (i) firstly, towards any outstanding fees, liabilities and expenses of the Bond Trustee (and any Security Agent);
  - (ii) secondly, towards accrued interest due but unpaid; and
  - (iii) thirdly, towards any principal amount due but unpaid.
- (b) Notwithstanding paragraph (a) above, any Partial Payment which is distributed to the Bondholders shall, subject to paragraph (c) below, be applied pro rata pursuant to the procedures of the CSD towards payment of any accrued interest due but unpaid and of any principal amount due but unpaid.
- (c) A Bondholders' Meeting can only resolve that any overdue payment of any instalment will be reduced if there is a pro rata reduction of the principal that has not fallen due, however, the meeting may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.

### 8.4 Taxation

- (a) The Issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the Finance Documents.
- (b) The Issuer shall, if any tax is withheld in respect of the Bonds under the Finance Documents:
  - (i) gross up the amount of the payment due from the it up to such amount which is necessary to ensure that the Bondholders or the Bond Trustee, as the case may be, receive a net amount which is (after making the required withholding) equal to the payment which would have been received if no withholding had been required; and
  - (ii) at the request of the Bond Trustee, deliver to the Bond Trustee evidence that the required tax deduction or withholding has been made.
- (c) Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer shall not be responsible for reimbursing any such fees.

### 8.5 Currency

- (a) All amounts payable under the Finance Documents shall be payable in the denomination of the Bonds set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*). If, however, the denomination differs from the currency of the bank

account connected to the Bondholder's account in the CSD, any cash settlement may be exchanged and credited to this bank account.

- (b) Any specific payment instructions, including foreign exchange bank account details, to be connected to the Bondholder's account in the CSD must be provided by the relevant Bondholder to the Paying Agent (either directly or through its account manager in the CSD) within five (5) Business Days prior to a Payment Date. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, and opening hours of the receiving bank, cash settlement may be delayed, and payment shall be deemed to have been made once the cash settlement has taken place, provided, however, that no default interest or other penalty shall accrue for the account of the Issuer for such delay.

#### **8.6 Set-off and counterclaims**

No Obligor may apply or perform any counterclaims or set-off against any payment obligations pursuant to these Bond Terms or any other Finance Document.

### **9. INTEREST**

#### **9.1 Calculation of interest**

- (a) Each Outstanding Bond will accrue interest at the Interest Rate on the Nominal Amount for each Interest Period, commencing on and including the first date of the Interest Period, and ending on but excluding the last date of the Interest Period.
- (b) Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each and, in case of an incomplete month, the actual number of days elapsed (30/360-days basis).
- (c) Any interpolation of the interest rate will be quoted with the number of decimals corresponding to the quoted number of decimals of the Reference Rate.

#### **9.2 Payment of Interest**

Interest shall fall due on each Interest Payment Date for the corresponding preceding Interest Period and, with respect to accrued interest on the principal amount then due and payable, on each Repayment Date.

### **10. REDEMPTION AND REPURCHASE OF BONDS**

#### **10.1 Redemption of Bonds**

- (a) The Bonds will be repaid by the Issuer on each Interest Payment Date, from and including the Interest Payment Date in November 2018, in an amount of USD 4,000,000 at 100 per cent. of the Nominal Amount (plus accrued interest on redeemed Bonds) (each an "Instalment").
- (b) Instalment payments will be applied pro rata between the Bondholders in accordance with the applicable regulations of the CSD and all Bonds redeemed shall be promptly cancelled thereafter.

- (c) Any remaining Outstanding Bonds will be redeemed in full on the Maturity Date at a price equal to 100 per cent. of the Nominal Amount (plus accrued interest on redeemed Bonds).

## **10.2 Voluntary early redemption - Call Option**

- (a) The Issuer may redeem all or parts of the Outstanding Bonds (the “**Call Option**”) on any Business Day from and including:
  - (i) the Issue Date to, but not including, the First Call Date at a price equal to the Make Whole Amount;
  - (ii) the First Call Date to, but not including, the Interest Payment Date in November 2020 at a price equal to 104.125 per cent. of the Nominal Amount (plus accrued interest on redeemed amount) for each redeemed Bond;
  - (iii) the Interest Payment Date in November 2020 to but not including, the Interest Payment Date in May 2021 at a price equal to 103.30 per cent. of the Nominal Amount (plus accrued interest on redeemed amount) for each redeemed Bond;
  - (iv) the Interest Payment Date in May 2021 to, but not including, the Interest Payment Date in November 2021 at a price equal to 102.475 per cent. of the Nominal Amount (plus accrued interest on redeemed amount) for each redeemed Bond;
  - (v) the Interest Payment Date in November 2021 to, but not including, the Interest Payment Date in May 2022 at a price equal to 101.65 per cent. of the Nominal Amount (plus accrued interest of redeemed amount) for each redeemed Bond; and
  - (vi) the Interest Payment Date in May 2022 to, but not including, the Maturity Date at a price equal to the Nominal Amount (plus accrued interest of redeemed amount) for each redeemed Bond.
- (b) Any redemption of Bonds pursuant to Clause 10.2 (a) above shall be determined based upon the redemption prices applicable on the Call Option Repayment Date.
- (c) The Call Option may be exercised by the Issuer by written notice to the Bond Trustee and the Bondholders at least ten (10), but not more than 20, Business Days prior to the proposed Call Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date. Unless the Make Whole Amount is set out in the written notice where the Issuer exercises the Call Option, the Issuer shall publish the Make Whole Amount to the Bondholders as soon as possible and at the latest within three (3) Business Days from the date of the notice.
- (d) Any Call Option exercised in part will be used for pro rata payment to the Bondholders in accordance with the applicable regulations of the CSD.

### **10.3 Mandatory repurchase due to a Put Option Event**

- (a) Upon the occurrence of a Put Option Event, each Bondholder will have the right (the “**Put Option**”) to require that the Issuer purchases all or some of the Bonds held by that Bondholder at a price equal to 101 per cent. of the Nominal Amount (plus accrued interest).
- (b) The Put Option must be exercised within 60 calendar days after the Issuer has given notice to the Bond Trustee and the Bondholders that a Put Option Event has occurred pursuant to Clause 12.3 (*Put Option Event*). Once notified, the Bondholders’ right to exercise the Put Option will not fall away due to subsequent events related to the Issuer.
- (c) Each Bondholder may exercise its Put Option by written notice to its account manager for the CSD, who will notify the Paying Agent of the exercise of the Put Option. The Put Option Repayment Date will be the fifth Business Day after the end of the 30 calendar days exercise period referred to in paragraph (b) above.
- (d) If Bonds representing more than 90 per cent of the Outstanding Bonds have been repurchased pursuant to this Clause 10.3 (*Mandatory repurchase due to a Put Option Event*), the Issuer is entitled to repurchase all the remaining Outstanding Bonds at the price stated in paragraph (a) above by notifying the remaining Bondholders of its intention to do so no later than 20 calendar days after the Put Option Repayment Date. Such prepayment may occur at the earliest on the 15<sup>th</sup> calendar day following the date of such notice.

### **10.4 Early redemption option due to a tax event**

If the Issuer is or will be required to gross up any withheld tax imposed by law from any payment in respect of the Bonds under the Finance Documents pursuant to Clause 8.4 (*Taxation*) as a result of a change in applicable law implemented after the date of these Bond Terms, the Issuer will have the right to redeem all, but not only some, of the Outstanding Bonds at a price equal to 100 per cent. of the Nominal Amount. The Issuer shall give written notice of such redemption to the Bond Trustee and the Bondholders at least 20 Business Days prior to the Tax Event Repayment Date, provided that no such notice shall be given earlier than 60 days prior to the earliest date on which the Issuer would be obliged to withhold such tax were a payment in respect of the Bonds then due.

### **10.5 Mandatory Prepayment**

Upon a Mandatory Prepayment Event, the Issuer shall as soon as insurance proceeds are available and in any event no later than 120 days following the Total Loss Event or Piracy Event (as the case may be), either (i) redeem Bonds equivalent to the Redemption Amount at 100 per cent. of Nominal Amount (plus accrued interest on redeemed amount) or (ii) transfer the Redemption Amount to the Disposal Account for the purpose of a Reinvestment or a later redemption in accordance with item (i) (in each case to occur within 12 months from the occurrence of the Mandatory Prepayment Event).



## **11. PURCHASE AND TRANSFER OF BONDS**

### **11.1 Issuer's purchase of Bonds**

The Issuer may purchase and hold Bonds and such Bonds may be retained, sold or cancelled in the Issuer's sole discretion, including with respect to Bonds purchased pursuant to Clause 10.3 (*Mandatory repurchase due to a Put Option Event*)

### **11.2 Restrictions**

- (a) For 40 days from the Issue Date (the "**Compliance Period**"), the Bonds may only be reoffered, resold, pledged or otherwise transferred to (i) a non-"U.S. person" in an "offshore transaction" (each as defined in Rule 902 of Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**")) or (ii) a person whom the seller and/or any person acting on its behalf reasonably believes is a "qualified institutional buyer" ("**QIB**") (as defined in Rule 144A under the Securities Act ("**Rule 144A**")), in a transaction meeting the requirements of Rule 144A. Each person transferring Bonds during the Compliance Period is required to arrange such trades through the joint bookrunners for the Bond offering and to obtain a certificate or taped telephonic confirmation from the transferee certifying as to such transferee's status as a non-U.S. person or QIB, as the case may be. During the Compliance Period, the Bonds will have a temporary ISIN that is designated as restricted under Regulation S (and will be automatically converted to a new ISIN after the expiration of the Compliance Period).
- (b) After the expiration of the Compliance Period, Bondholders located in the United States will not be permitted to transfer the Bonds except (a) to the Issuer, (b) pursuant to an effective registration statement under the Securities Act, (c) to a person that the Bondholder reasonably believes is a QIB that is purchasing for its own account, or the account of another QIB, in a transaction meeting the requirements of Rule 144A, (d) to a non-U.S. person in an offshore transaction satisfying the requirements of Rule 904 of Regulation S under the Securities Act, including in a transaction on the Oslo Børs, and (e) pursuant to any other exemption from registration under the Securities Act, including Rule 144 thereunder (if available).
- (c) Certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time. Neither the Issuer nor the Bond Trustee shall be responsible to ensure compliance with such laws and regulations and each Bondholder is responsible for ensuring compliance with the relevant laws and regulations at its own cost and expense.
- (d) A Bondholder who has purchased Bonds in breach of applicable restrictions may, notwithstanding such breach, benefit from the rights attached to the Bonds pursuant to these Bond Terms (including, but not limited to, voting rights), provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.

## **12. INFORMATION UNDERTAKINGS**

### **12.1 Financial Reports**

- (a) The Issuer shall prepare Annual Financial Statements in the English language and make them available on the Parent's website (alternatively by sending them to the Bond Trustee for publishing on [www.stamdata.no](http://www.stamdata.no)) as soon as they become available, and not later than 120 days after the end of the financial year.
- (b) The Issuer shall prepare Interim Accounts in the English language and make them available on its website (alternatively by sending them to the Bond Trustee for publishing on [www.stamdata.no](http://www.stamdata.no)) as soon as they become available, and not later 90 days after the end of the first, third and fourth quarter and 60 days after second quarter, however, always subject to any exemption, waiver or extension granted by the Oslo Stock Exchange (Nw: Oslo Børs).
- (c) The Issuer shall within 15 Business Days after the end of the second and fourth quarter, supply valuation certificates from two Approved Brokers no older than 30 days showing the Market Value of each Security Vessel at such time.
- (d) The Bond Trustee may and shall upon request distribute the reports referred to in (a) and (b) above to the Bondholders.

### **12.2 Requirements as to Financial Reports**

- (a) The Issuer shall supply to the Bond Trustee, in connection with the publication of its Financial Reports pursuant to Clause 12.1 (*Financial Reports*), however only once for each relevant reporting period, a Compliance Certificate with a copy of the Financial Report attached thereto. The Compliance Certificate shall be duly signed by the chief executive officer or the chief financial officer, of the Issuer, certifying i.a that the Financial Statements are fairly representing its financial condition as at the date of those financial statements and setting out (in reasonable detail) computations evidencing compliance with Clause 13.3 (*Financial Covenants*) as at such date.
- (b) The Issuer shall procure that the Financial Reports delivered pursuant to Clause 12.1 (*Financial Reports*) are prepared using GAAP consistently applied.

### **12.3 Put Option Event**

The Issuer shall inform the Bond Trustee in writing as soon as possible after becoming aware that a Put Option Event has occurred.

### **12.4 Information: Miscellaneous**

The Issuer shall:

- (a) promptly inform the Bond Trustee in writing of any Event of Default or any event or circumstance which the Issuer understands or could reasonably be expected to understand may lead to an Event of Default and the steps, if any, being taken to remedy it);
- (b) at the request of the Bond Trustee, report the balance of the Issuer's Bonds (to the best of its knowledge, having made due and appropriate enquiries);

- (c) send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;
- (d) if the Bonds are listed on an Exchange, send a copy to the Bond Trustee of its notices to the Exchange;
- (e) if the Issuer and/or the Bonds are rated, inform the Bond Trustee of its and/or the rating of the Bonds, and any changes to such rating;
- (f) inform the Bond Trustee of changes in the registration of the Bonds in the CSD; and
- (g) within a reasonable time, provide such information about the Issuer's and the Group's business, assets and financial condition as the Bond Trustee may reasonably request.

### **13. GENERAL AND FINANCIAL UNDERTAKINGS**

The Issuer undertakes to (and shall, where applicable, procure that the other Group Companies will) comply with the relevant undertakings set forth in this Clause 13 (*General and financial Undertakings*).

#### **13.1 Issuer's positive undertakings**

##### **13.1.1 Maintain Transaction Security Documents**

The Issuer shall maintain the Transaction Security Documents in full force and effect, and do all acts which may be necessary to ensure that such security remains duly created, enforceable and perfected with first priority ranking, creating the security contemplated thereunder, at the expense of the Issuer, or the relevant security provider (as the case may be).

##### **13.1.2 Authorisations**

The Issuer shall procure that each other Group Company will in all material respects obtain, maintain and comply with the terms of any authorisation, approval, license and consent required for the conduct of its business as carried out at the date of these Bond Terms if a failure to do so would have Material Adverse Effect.

##### **13.1.3 Compliance with laws**

The Issuer shall, and shall procure that each other Group Company will, carry on its business in accordance with acknowledged, careful and sound practices in all material aspects and comply in all material respects with all laws and regulations to which it may be subject from time to time, if failure so to comply would have a Material Adverse Effect.

##### **13.1.4 Operation of Security Vessels**

The Issuer shall procure that the Vessel Managers operate the Security Vessels in accordance with good industry standards and in accordance with the relevant Vessel Management Agreements and in compliance with the terms hereof and the Transaction Security Documents.

##### **13.1.5 No claims**

The Issuer shall ensure that upon the completion of a sale of a Vessel Owner, there shall be no claims from that Vessel Owner against any Group Company.

#### 13.1.6 Debt Service Retention Account

The Issuer, or one or more Group Company, shall on a monthly basis, transfer an amount equal to 1/6 of the next interest payment plus 1/6 of any Instalment pursuant to Clause 10.1 (*Redemption of Bonds*) to the Debt Service Retention Account, starting from the months falling six (6) months prior to, (i) the first Interest Payment Date in respect of interest, and (ii) the Interest Payment Date in November 2018 in respect of Instalments. Amounts standing on the Debt Service Retention Account shall only be used to pay scheduled interest and instalments under the Bonds. The Bond Trustee shall have the right (at any time) to request and receive information from the Issuer of the (at any time) deposited amount on the Debt Service Retention Account.

### 13.2 Issuer's negative undertakings

#### 13.2.1 Distributions

The Issuer shall not make any Distributions other than the Permitted Distribution.

#### 13.2.2 Constitutional documents

The Issuer shall not, and shall procure that no other Group Company shall, amend its constitutional documents if such amendment may have a Material Adverse Effect.

#### 13.2.3 Corporate status

The Issuer shall not, and shall procure that no other Group Company shall, change its type of organisation or jurisdiction of incorporation, unless to another Acceptable Jurisdiction provided such change does not have a Material Adverse Effect.

#### 13.2.4 Mergers and de-mergers

(a) The Issuer shall not, and shall procure that no other Group Company will, carry out:

- (i) any merger or other business combination or corporate reorganisation involving the consolidation of assets and obligations of the Issuer or any other Group Company with any other companies or entities; or
- (ii) any demerger or other corporate reorganisation involving a split of the Issuer or any other Group Company into two or more separate companies or entities;

if such merger, demerger, combination or reorganisation would have a Material Adverse Effect.

(b) Paragraph (a) above does not apply to any Permitted Disposal.

#### 13.2.5 Continuation of business

The Issuer shall not, and shall procure that no other Group Company shall, cease to carry on its business, and shall procure that no substantial change is made to the general nature of the business of the Group from that carried on at the date of these Bond Terms (being direct and indirect ownership, chartering out and in of vessels and business reasonably related or incidental thereto), and/or as set out in these Bond Terms.

13.2.6 Financial Indebtedness

- (a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company shall, incur or permit to remain outstanding any additional Financial Indebtedness (whether secured or unsecured).
- (b) Paragraph (a) above shall not prohibit any Group Company to incur or permit to remain outstanding any Permitted Financial Indebtedness.

13.2.7 Negative pledge

- (a) Except as permitted under paragraph (b) below, the Issuer shall not, and shall procure that no other Group Company shall, create or permit to subsist any Security over any of its/their assets or enter into arrangements having a similar effect.
- (b) Paragraph (a) above does not apply to any Permitted Security.

13.2.8 Financial support

The Issuer shall not grant any financial support such as loans, guarantees or other financial assistance to any party other than (a) in connection with the Finance Documents and/or (b) to or on behalf of the Vessel Owners or a company organised to acquire an Additional Vessel.

13.2.9 Investments and capital expenditures

The Issuer shall not, and shall procure that no other Group Company will, make any investments or capital expenditures, other than solely related to (i) the ownership in and operation of the Security Vessels, (ii) Permitted Chartering-In and (iii) the acquisition of Additional Vessels.

13.2.10 Related party transactions

Without limiting Clause 13.1.3 (*Compliance with laws*), the Issuer shall conduct all business transactions with any Affiliate which is not an Obligor at market terms and otherwise on an arm's length basis.

13.2.11 Sale and leaseback transactions

The Issuer shall not, and shall procure that no other Group Company shall, enter into any sale- and leaseback transactions.

13.2.12 Chartering-In

The Issuer shall not, and shall procure that no other Group Company shall, charter-in vessels from outside the Group, except for Permitted Chartering-In.

13.2.13 Disposal

The Issuer shall not, and shall procure that no other Group Company, sell or dispose of the shares of a Vessel Owner, except for any disposals carried out as a Permitted Disposal.

13.2.14 Ownership of bonds

The Issuer shall not, and shall procure that no other Group Company will, acquire and own Bonds, save in respect of Bonds acquired following a Change of Control or Tender Offer, provided, however that such Bonds shall be cancelled.

### **13.3 Financial Covenants**

#### **13.3.1 Maximum Leverage Ratio**

The Issuer shall at all times ensure that the Leverage Ratio does not exceed 75%.

#### **13.3.2 Minimum Free Liquidity**

The Issuer shall ensure that the Free Liquidity of the Group at all times is no less than USD 12,500,000.

#### **13.3.3 Compliance with Financial Covenants**

The Issuer undertakes to comply with the financial covenants as set out in Clauses 13.3.1 (*Maximum Leverage Ratio*) and 13.3.2 (*Minimum Free Liquidity*) at all times, such compliance to be measured on each Quarter Date and certified by the Issuer in the Compliance Certificate attached hereto in Schedule 1 in connection with each Financial Report on the respective Reporting Date. The financial covenants as set out in this clause 13.3 shall be calculated on a consolidated basis for the Group during the lifetime of the Bonds.

#### **13.3.4 Leverage Ratio Covenant Cure**

If the Issuer fails (or would otherwise fail) to comply with the Leverage Ratio at any time and the Issuer prior to the relevant Reporting Date has provided either (i) a Cure Vessel and Security in respect of such Cure Vessel along the principles applicable to the Vessels in accordance with Clause 2.5 (*Transaction Security*), or (ii) cash collateral deposited on a bank account pledged on first priority and blocked in favour of the Security Agent (on behalf of the Secured Parties) bridging the value shortfall, then (a) if a Cure Vessel is provided, the Leverage Ratio shall be recalculated on the basis that the Market Value of such Cure Vessel shall be deemed to increase the total aggregate Market Value of the Vessels for the relevant period to which the breach relates and (b) if cash collateral is provided and for as long as such cash collateral remains in place, the Outstanding Bond Amount shall, for the purpose of the Leverage Ratio only, be deemed to be reduced by the amount of the cash collateral so provided.

If, after the Leverage Ratio is recalculated as set out above, the breach has been prevented or cured, the Leverage Ratio shall be deemed to have been satisfied from the last day of the reporting period covered by the financial statements to be delivered on the relevant Reporting Date. If a Cure Vessel or cash collateral has been provided in accordance with this Leverage Ratio Covenant Cure, the security arrangement or relevant cash deposit amount shall be released, or, as the case may be in respect of the cash collateral, partly-released, by the Security Agent at the request of the Issuer, if the Issuer to the satisfaction of the Bond Trustee has demonstrated that following such release or part-release, it will be in compliance with the Clause 13.3.1 (*Maximum Leverage Ratio*).

### **13.4 Vessel Owner undertakings**

The Issuer shall (in its capacity as parent of the Vessel Owner) ensure that each Vessel Owner shall, *inter alia*:

- (i) ensure that all earnings related to the Security Vessels and any insurance or sale proceeds, in each case payable to the Group, shall be paid into the relevant earnings accounts being subject to the Security set out herein with either the Vessel Owner or the Issuer;
- (ii) ensure that each Vessel Owner remains a single purpose company owning and chartering the relevant Security Vessel, and/or being involved in Permitted Chartering-In; and
- (iii) upon request of the Bond Trustee, arrange for the Bond Trustee, and/or any person appointed by the Bond Trustee, to undertake a technical inspection of the Security Vessels without interference of the daily operation of the Security Vessels and at the expense of the Issuer, (however limited to one yearly inspection per vessel unless an Event of Default has occurred and is continuing).

The Issuer further ensures (in its capacity as parent of the Vessel Owner) that each of the Vessel Owners shall not:

- (iv) declare or make any capital distributions to any company other than the Issuer (including but not limited to total return swaps involving any shares issued by any party);
- (v) grant any loans, guarantees or other financial assistance to any party, other than (i) the Guarantees and under the Transaction Security Documents, (ii) any guarantees or security granted to secure the Revolving Credit Facility, (iii) guarantees issued for the benefit of third parties in the ordinary course of business, (iv) any guarantees as required under the Vessel Management Agreements, and (v) any Intra-Group Debt;
- (vi) invest or take part in any other activity than solely related to the ownership and ordinary operation of each respective Security Vessel and/or Permitted Chartering-In;
- (vii) sell or disposes of a Security Vessel, except for any disposals carried out as a Permitted Disposal; and
- (viii) engage, directly or indirectly, in any transaction with any party (without limitation, the purchase, sale or exchange of assets or the rendering of any service), except with another Group Company or in the ordinary course of business and pursuant to the reasonable requirement of the Vessel Owners' business and upon fair and reasonable terms that are not less favourable to the Vessel Owners, as the case may be, than those which might be obtained in an arm's length transaction at the time.

### **13.5 General Vessel Undertakings**

The Issuer shall, and shall procure that each other Group Company will, procure that:

- (i) the Security Vessels are operated by the Vessel Managers in all material respects in accordance with applicable laws and regulations (including but not limited to applicable sanctions) and good industry practice;
- (ii) no amendments, supplements, variations or waiver of any material terms of the Vessel Management Agreement to be made if any such amendment, supplement, variation or waiver would have a Material Adverse Effect; and
- (iii) there will be no change of flag, name or registry unless the change is to an Approved Flag State or the change is approved by the Bond Trustee. Such approval shall not be unreasonably withheld. Approval from the Bond Trustee will not be required if a change is required and permitted pursuant to any Charter Contract for the relevant vessel, provided that the Transaction Security Documents are not impaired.

### **13.6 Maintenance of Insurances and class**

The Issuer shall provide for reasonable and satisfactory maintenance and insurance of the Security Vessels and all relevant equipment related thereto at all times, hereunder to retain the Security Vessels in class. During operation of the Security Vessels, the Issuer shall ensure that the Vessel Manager runs proper maintenance of the Security Vessels. The Security Vessels shall also be adequately insured under the Mandatory Insurances. The insurance value of each Security Vessel shall be at least equal to the Market Value of that Security Vessel. The aggregate insurance value for the Security Vessels shall be no less than 120% of the aggregate of the principal amount of the Revolving Credit Facility and the outstanding amount under the Finance Documents. The hull and machinery insurance for each Security Vessel shall cover at least 80% of the Market Value of that Security Vessel, and the Security Vessels shall further *inter alia* be insured against war risk and have a third party liability insurance as per industry standards.

The Bond Trustee or the Security Agent (as the case may be) shall take out a Mortgagee Interest Insurance ("MII") and Mortgagee Additional Perils Insurance ("MAPI") (at the expense of the Issuer).

The insurances and Loss Payee Clause shall be in accordance with the Nordic Marine Insurance Plan, American Institute Hull Clauses or other insurances with at least similar terms or otherwise acceptable to the Bond Trustee.

## **14. EVENTS OF DEFAULT AND ACCELERATION OF THE BONDS**

### **14.1 Events of Default**

Each of the events or circumstances set out in this Clause 14.1 shall constitute an Event of Default:

#### **(a) *Non-payment***

An Obligor fails to pay any amount payable by it under the Finance Documents when such amount is due for payment, unless:



- (i) its failure to pay is caused by administrative or technical error in payment systems or the CSD and payment is made within five (5) Business Days following the original due date; or
- (ii) in the discretion of the Bond Trustee, the Issuer has substantiated that it is likely that such payment will be made in full within five (5) Business Days following the original due date.

*(b) Breach of other obligations*

An Obligor does not comply with any provision of the Finance Documents other than set out under paragraph (a) (*Non-payment*) above, unless such failure is capable of being remedied and is remedied within 20 Business Days after the earlier of the Issuer's actual knowledge thereof, or notice thereof is given to the Issuer by the Bond Trustee.

*(c) Misrepresentation*

Any representation, warranty or statement (including statements in Compliance Certificates) made under or in connection with any Finance Documents is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made, unless the circumstances giving rise to the misrepresentation are capable of remedy and are remedied within 20 Business Days of the earlier of the Bond Trustee giving notice to the Issuer or the Issuer becoming aware of such misrepresentation.

*(d) Cross default*

If for any Group Company:

- (i) any Financial Indebtedness is not paid when due nor within any applicable grace period; or
- (ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or
- (iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or
- (iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

provided however that the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to iv) above exceeds a total of USD 12,500,000 (or the equivalent thereof in any other currency).

*(e) Insolvency and insolvency proceedings*

Any Group Company:

- (i) is Insolvent; or
- (ii) is object of any corporate action or any legal proceedings is taken in relation to:
  - (A) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than a solvent liquidation or reorganization; or
  - (B) a composition, compromise, assignment or arrangement with any creditor which may materially impair its ability to perform its payment obligations under these Bond Terms; or
  - (C) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or
  - (D) enforcement of any Security over any of its or their assets having an aggregate value exceeding the threshold amount set out in paragraph 14.1 (d) (*Cross default*) above; or
  - (E) for (A) - (D) above, any analogous procedure or step is taken in any jurisdiction in respect of any such company,

however this shall not apply to any petition which is frivolous or vexatious and is discharged, stayed or dismissed within 20 Business Days of commencement.

*(f) Creditor's process*

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Group Company having an aggregate value exceeding the threshold amount set out in paragraph 14.1 (d) (*Cross default*) above and is not discharged within 20 Business Days.

*(g) Unlawfulness*

It is or becomes unlawful for an Obligor to perform or comply with any of its obligations under the Finance Documents to the extent this may materially impair:

- (i) the ability of such Obligor to perform its obligations under these Bond Terms; or
- (ii) the ability of the Bond Trustee or any Security Agent to exercise any material right or power vested to it under the Finance Documents.

**14.2 Acceleration of the Bonds**

If an Event of Default has occurred and is continuing, the Bond Trustee may, in its discretion in order to protect the interests of the Bondholders, or upon instruction received from the Bondholders pursuant to Clause 14.3 (*Bondholders' instructions*) below, by serving a Default Notice:

- (a) declare that the Outstanding Bonds, together with accrued interest and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable on demand at which time they shall become immediately due and payable on demand by the Bond Trustee;
- (b) declare that the Outstanding Bonds, together with accrued interest and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable; and/or
- (c) exercise or direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents or take such further measures as are necessary to recover the amounts outstanding under the Finance Documents.

#### **14.3 Bondholders' instructions**

The Bond Trustee shall serve a Default Notice pursuant to Clause 14.2 (*Acceleration of the Bonds*) if:

- (a) the Bond Trustee receives a demand in writing from Bondholders representing a simple majority of the Voting Bonds, that an Event of Default shall be declared, and a Bondholders' Meeting has not made a resolution to the contrary; or
- (b) the Bondholders' Meeting, by a simple majority decision, has approved the declaration of an Event of Default.

#### **14.4 Calculation of claim**

The claim derived from the Outstanding Bonds due for payment as a result of the serving of a Default Notice will be calculated at the prices set out in Clause 10.2 (*Voluntary early redemption – Call Option*) as applicable at the following dates (and regardless of the Default Repayment Date set out in the Default Notice):

- (i) for any Event of Default arising out of a breach of Clause 14.1 (*Events of Default*) paragraph (a) (*Non-payment*), the claim will be calculated at the price applicable at the date when such Event of Default occurred; and
- (ii) for any other Event of Default, the claim will be calculated at the price applicable at the date when the Default Notice was served by the Bond Trustee.

### **15. BONDHOLDERS' DECISIONS**

#### **15.1 Authority of the Bondholders' Meeting**

- (a) A Bondholders' Meeting may, on behalf of the Bondholders, resolve to alter any of these Bond Terms, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes.
- (b) The Bondholders' Meeting may not adopt resolutions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders.
- (c) Subject to the power of the Bond Trustee to take certain action as set out in Clause 16.1 (*Power to represent the Bondholders*), if a resolution by, or an approval of, the

Bondholders is required, such resolution may be passed at a Bondholders' Meeting. Resolutions passed at any Bondholders' Meeting will be binding upon all Bondholders.

- (d) At least 50% of the Voting Bonds must be represented at a Bondholders' Meeting for a quorum to be present.
- (e) Resolutions will be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set out in paragraph (f) below.
- (f) Save for any amendments or waivers which can be made without resolution pursuant to Clause 17.1 (*Procedure for amendments and waivers*) paragraph (a), section (i) and (ii), a majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for approval of any waiver or amendment of any provisions of these Bond Terms, including a change of Issuer and change of Bond Trustee.

## **15.2 Procedure for arranging a Bondholders' Meeting**

- (a) A Bondholders' Meeting shall be convened by the Bond Trustee upon the request in writing of:
  - (i) the Issuer;
  - (ii) Bondholders representing at least 1/10 of the Voting Bonds;
  - (iii) the Exchange, if the Bonds are listed and the Exchange is entitled to do so pursuant to the general rules and regulations of the Exchange; or
  - (iv) the Bond Trustee.

The request shall clearly state the matters to be discussed and resolved.

- (b) If the Bond Trustee has not convened a Bondholders' Meeting within ten (10) Business Days after having received a valid request for calling a Bondholders' Meeting pursuant to paragraph (a) above, then the re-requesting party may itself call the Bondholders' Meeting.
- (c) Summons to a Bondholders' Meeting must be sent no later than ten (10) Business Days prior to the proposed date of the Bondholders' Meeting. The Summons shall be sent to all Bondholders registered in the CSD at the time the Summons is sent from the CSD. If the Bonds are listed, the Issuer shall ensure that the Summons is published in accordance with the applicable regulations of the Exchange. The Summons shall also be published on the website of the Bond Trustee (alternatively by press release or other relevant information platform).
- (d) Any Summons for a Bondholders' Meeting must clearly state the agenda for the Bondholders' Meeting and the matters to be resolved. The Bond Trustee may include additional agenda items to those requested by the person calling for the Bondholders' Meeting in the Summons. If the Summons contains proposed amendments to these Bond Terms, a description of the proposed amendments must be set out in the Summons.

- (e) Items which have not been included in the Summons may not be put to a vote at the Bondholders' Meeting.
- (f) By written notice to the Issuer, the Bond Trustee may prohibit the Issuer from acquiring or dispose of Bonds during the period from the date of the Summons until the date of the Bondholders' Meeting, unless the acquisition of Bonds is made by the Issuer pursuant to Clause 10 (*Redemption and Repurchase of Bonds*).
- (g) A Bondholders' Meeting may be held on premises selected by the Bond Trustee, or if paragraph (b) above applies, by the person convening the Bondholders' Meeting (however to be held in the capital of the Relevant Jurisdiction). The Bondholders' Meeting will be opened and, unless otherwise decided by the Bondholders' Meeting, chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting will be opened by a Bondholder and be chaired by a representative elected by the Bondholders' Meeting.
- (h) Each Bondholder, the Bond Trustee and, if the Bonds are listed, representatives of the Exchange, or any person or persons acting under a power of attorney for a Bondholder, shall have the right to attend the Bondholders' Meeting (each a "**Representative**"). The chair of the Bondholders' Meeting may grant access to the meeting to other persons not being Representatives, unless the Bondholders' Meeting decides otherwise. In addition, each Representative has the right to be accompanied by an advisor. In case of dispute or doubt with regard to whether a person is a Representative or entitled to vote, the chair of the Bondholders' Meeting will decide who may attend the Bondholders' Meeting and exercise voting rights.
- (i) Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders Meeting may resolve to exclude the Issuer's representatives and/or any person holding only Issuer's Bonds (or any representative of such person) from participating in the meeting at certain times, however, the Issuer's representative and any such other person shall have the right to be present during the voting.
- (j) Minutes of the Bondholders' Meeting must be recorded by, or by someone acting at the instruction of, the chair of the Bondholders' Meeting. The minutes must state the number of Voting Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the results of the vote on the matters to be decided at the Bondholders' Meeting. The minutes shall be signed by the chair of the Bondholders' Meeting and at least one other person. The minutes will be deposited with the Bond Trustee who shall make available a copy to the Bondholders and the Issuer upon request.
- (k) The Bond Trustee will ensure that the Issuer, the Bondholders and the Exchange are notified of resolutions passed at the Bondholders' Meeting and that the resolutions are published on the website of the Bond Trustee (or other relevant electronically platform or press release).
- (l) The Issuer shall bear the costs and expenses incurred in connection with convening a Bondholders' Meeting regardless of who has convened the Bondholders' Meeting, including any reasonable costs and fees incurred by the Bond Trustee.

### 15.3 Voting rules

- (a) Each Bondholder (or person acting for a Bondholder under a power of attorney) may cast one vote for each Voting Bond owned on the Relevant Record Date, ref. Clause 3.3 (*Bondholders' rights*). The chair of the Bondholders' Meeting may, in its sole discretion, decide on accepted evidence of ownership of Voting Bonds.
- (b) Issuer's Bonds shall not carry any voting rights. The chair of the Bondholders' Meeting shall determine any question concerning whether any Bonds will be considered Issuer's Bonds.
- (c) For the purposes of this Clause 15 (*Bondholders' decisions*), a Bondholder that has a Bond registered in the name of a nominee will, in accordance with Clause 3.3 (*Bondholders' rights*), be deemed to be the owner of the Bond rather than the nominee. No vote may be cast by any nominee if the Bondholder has presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*) stating that it is the owner of the Bonds voted for. If the Bondholder has voted directly for any of its nominee registered Bonds, the Bondholder's votes shall take precedence over votes submitted by the nominee for the same Bonds.
- (d) Any of the Issuer, the Bond Trustee and any Bondholder has the right to demand a vote by ballot. In case of parity of votes, the chair of the Bondholders' Meeting will have the deciding vote.

### 15.4 Repeated Bondholders' Meeting

- (a) Even if the necessary quorum set out in paragraph (d) of Clause 15.1 (*Authority of the Bondholders' Meeting*) is not achieved, the Bondholders' Meeting shall be held and voting completed for the purpose of recording the voting results in the minutes of the Bondholders' Meeting. The Bond Trustee or the person who convened the initial Bondholders' Meeting may, within ten Business Days of that Bondholders' Meeting, convene a repeated meeting with the same agenda as the first meeting.
- (b) The provisions and procedures regarding Bondholders' Meetings as set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and Clause 15.3 (*Voting rules*) shall apply *mutatis mutandis* to a repeated Bondholders' Meeting, with the exception that the quorum requirements set out in paragraph (d) of Clause 15.1 (*Authority of the Bondholders' Meeting*) shall not apply to a repeated Bondholders' Meeting. A Summons for a repeated Bondholders' Meeting shall also contain the voting results obtained in the initial Bondholders' Meeting.
- (c) A repeated Bondholders' Meeting may only be convened once for each original Bondholders' Meeting. A repeated Bondholders' Meeting may be convened pursuant to the procedures of a Written Resolution in accordance with Clause 15.5 (*Written Resolutions*), even if the initial meeting was held pursuant to the procedures of a Bondholders' Meeting in accordance with Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and vice versa.

## 15.5 Written Resolutions

- (a) Subject to these Bond Terms, anything which may be resolved by the Bondholders in a Bondholders' Meeting pursuant to Clause 15.1 (*Authority of the Bondholders' Meeting*) may also be resolved by way of a Written Resolution. A Written Resolution passed with the relevant majority is as valid as if it had been passed by the Bondholders in a Bondholders' Meeting, and any reference in any Finance Document to a Bondholders' Meeting shall be construed accordingly.
- (b) The person requesting a Bondholders' Meeting may instead request that the relevant matters are to be resolved by Written Resolution only, unless the Bond Trustee decides otherwise.
- (c) The Summons for the Written Resolution shall be sent to the Bondholders registered in the CSD at the time the Summons is sent from the CSD and published at the Bond Trustee's web site, or other relevant electronic platform or via press release.
- (d) The provisions set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), 15.2 (*Procedure for arranging a Bondholder's Meeting*), Clause 15.3 (*Voting Rules*) and Clause 15.4 (*Repeated Bondholders' Meeting*) shall apply *mutatis mutandis* to a Written Resolution, except that:
  - (i) the provisions set out in paragraphs (g), (h) and (i) of Clause 15.2 (*Procedure for arranging Bondholders Meetings*); or
  - (ii) provisions which are otherwise in conflict with the requirements of this Clause 15.5 (*Written Resolution*),shall not apply to a Written Procedure.
- (e) The Summons for a Written Resolution shall include:
  - (i) instructions as to how to vote to each separate item in the Summons (including instructions as to how voting can be done electronically if relevant); and
  - (ii) the time limit within which the Bond Trustee must have received all votes necessary in order for the Written Resolution to be passed with the requisite majority (the "**Voting Period**"), such Voting Period to be at least three (3) Business Days but not more than 15 Business Days from the date of the Summons, provided however that the Voting Period for a Written Resolution summoned pursuant to Clause 15.4 (*Repeated Bondholders' Meeting*) shall be at least ten (10) Business Days but not more than 15 Business Days from the date of the Summons.
- (f) Only Bondholders of Voting Bonds registered with the CSD on the Relevant Record Date, or the beneficial owner thereof having presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*), will be counted in the Written Resolution.

- (g) A Written Resolution is passed when the requisite majority set out in paragraph (e) or paragraph (f) of Clause 15.1 (*Authority of Bondholders' Meeting*) has been achieved, based on the total number of Voting Bonds, even if the Voting Period has not yet expired. A Written Resolution may also not be passed if the sufficient numbers of negative votes are received prior to the expiry of the Voting Period.
- (h) The effective date of a Written Resolution passed prior to the expiry of the Voting Period is the date when the resolution is approved by the last Bondholder that results in the necessary voting majority being achieved.
- (i) If no resolution is passed prior to the expiry of the Voting Period, the number of votes shall be calculated at the close of business on the last day of the Voting Period, and a decision will be made based on the quorum and majority requirements set out in paragraphs (d) to (f) of Clause 15.1(*Authority of Bondholders' Meeting*).

## **16. THE BOND TRUSTEE**

### **16.1 Power to represent the Bondholders**

- (a) By virtue of being registered as a Bondholder (directly or indirectly) with the CSD, the Bondholders are bound by these Bond Terms and any other Finance Document, without any further action required to be taken or formalities to be complied with. The Bond Trustee has power and authority to act on behalf of, and/or represent, the Bondholders in all matters, including but not limited to taking any legal or other action, including enforcement of these Bond Terms, and the commencement of bankruptcy or other insolvency proceedings against the Issuer, or others.
- (b) The Issuer shall promptly upon request provide the Bond Trustee with any such documents, information and other assistance (in form and substance satisfactory to the Bond Trustee), that the Bond Trustee deems necessary for the purpose of exercising its and the Bondholders' rights and/or carrying out its duties under the Finance Documents.

### **16.2 The duties and authority of the Bond Trustee**

- (a) The Bond Trustee shall represent the Bondholders in accordance with the Finance Documents, including, inter alia, by following up on the delivery of any Compliance Certificates and such other documents which the Issuer is obliged to disclose or deliver to the Bond Trustee pursuant to the Finance Documents and, when relevant, in relation to accelerating and enforcing the Bonds on behalf of the Bondholders.
- (b) The Bond Trustee is not obligated to assess or monitor the financial condition of the Issuer or any other Obligor unless to the extent expressly set out in these Bond Terms, or to take any steps to ascertain whether any Event of Default has occurred. Until it has actual knowledge to the contrary, the Bond Trustee is entitled to assume that no Event of Default has occurred. The Bond Trustee is not responsible for the valid execution or enforceability of the Finance Documents, or for any discrepancy between the indicative terms and conditions described in any marketing material presented to the Bondholders prior to issuance of the Bonds and the provisions of these Bond Terms.



- (c) The Bond Trustee is entitled to take such steps that it, in its sole discretion, considers necessary or advisable to protect the rights of the Bondholders in all matters pursuant to the terms of the Finance Documents. The Bond Trustee may submit any instructions received by it from the Bondholders to a Bondholders' Meeting before the Bond Trustee takes any action pursuant to the instruction.
- (d) The Bond Trustee is entitled to engage external experts when carrying out its duties under the Finance Documents.
- (e) The Bond Trustee shall hold all amounts recovered on behalf of the Bondholders on separated accounts.
- (f) The Bond Trustee will ensure that resolutions passed at the Bondholders' Meeting are properly implemented, provided, however, that the Bond Trustee may refuse to implement resolutions that may be in conflict with these Bond Terms, any other Finance Document, or any applicable law.
- (g) Notwithstanding any other provision of the Finance Documents to the contrary, the Bond Trustee is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- (h) If the cost, loss or liability which the Bond Trustee may incur (including reasonable fees payable to the Bond Trustee itself) in:
  - (i) complying with instructions of the Bondholders; or
  - (ii) taking any action at its own initiative,

will not, in the reasonable opinion of the Bond Trustee, be covered by the Issuer or the relevant Bondholders pursuant to paragraphs (e) and (g) of Clause 16.4 (*Liability and indemnity*), the Bond Trustee may refrain from acting in accordance with such instructions, or refrain from taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.

- (i) The Bond Trustee shall give a notice to the Bondholders before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Bond Trustee under the Finance Documents.
- (j) The Bond Trustee may instruct the CSD to split the Bonds to a lower nominal amount in order to facilitate partial redemptions, restructuring of the Bonds or other situations.

### **16.3 Equality and conflicts of interest**

- (a) The Bond Trustee shall not make decisions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders. The Bond Trustee shall, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.

- (b) The Bond Trustee may act as agent, trustee, representative and/or security agent for several bond issues relating to the Issuer notwithstanding potential conflicts of interest. The Bond Trustee is entitled to delegate its duties to other professional parties.

#### **16.4 Expenses, liability and indemnity**

- (a) The Bond Trustee will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss. Irrespective of the foregoing, the Bond Trustee shall have no liability to the Bondholders for damage caused by the Bond Trustee acting in accordance with instructions given by the Bondholders in accordance with these Bond Terms.
- (b) Any liability for the Bond Trustee for damage or loss is limited to the amount of the Outstanding Bonds. The Bond Trustee is not liable for the content of information provided to the Bondholders by or on behalf of the Issuer or any other person.
- (c) The Bond Trustee shall not be considered to have acted negligently if it has:
  - (i) acted in accordance with advice from or opinions of reputable external experts; or
  - (ii) acted with reasonable care in a situation when the Bond Trustee considers that it is detrimental to the interests of the Bondholders to delay any action.
- (d) The Issuer is liable for, and will indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees and agents) in connection with the performance of the Bond Trustee's obligations under the Finance Documents, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer in connection with the issuance of the Bonds, the entering into or performance under the Finance Documents, and for as long as any amounts are outstanding under or pursuant to the Finance Documents.
- (e) The Issuer shall cover all costs and expenses incurred by the Bond Trustee in connection with it fulfilling its obligations under the Finance Documents. The Bond Trustee is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents. The Bond Trustee's obligations under the Finance Documents are conditioned upon the due payment of such fees and indemnifications. The fees of the Bond Trustee will be further set out in the Bond Trustee Agreement.
- (f) The Issuer shall on demand by the Bond Trustee pay all costs incurred for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event or circumstance which the Bond Trustee reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer or any of the Finance Documents which the Bond Trustee reasonably believes

may constitute or lead to a breach of any of the Finance Documents or otherwise be detrimental to the interests of the Bondholders under the Finance Documents.

- (g) Fees, costs and expenses payable to the Bond Trustee which are not reimbursed in any other way due to an Event of Default, the Issuer being Insolvent or similar circumstances pertaining to the Obligors, may be covered by making an equal reduction in the proceeds to the Bondholders hereunder of any costs and expenses incurred by the Bond Trustee or the Security Agent in connection therewith. The Bond Trustee may withhold funds from any escrow account (or similar arrangement) or from other funds received from the Issuer or any other person, irrespective of such funds being subject to Transaction Security, and to set-off and cover any such costs and expenses from those funds.
- (h) As a condition to effecting any instruction from the Bondholders (including, but not limited to, instructions set out in Clause 14.3 (*Bondholders' instructions*) or Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*)), the Bond Trustee may require satisfactory Security, guarantees and/or indemnities for any possible liability and anticipated costs and expenses from those Bondholders who have given that instruction and/or who voted in favour of the decision to instruct the Bond Trustee.

#### **16.5 Replacement of the Bond Trustee**

- (a) The Bond Trustee may be replaced according to the procedures set out in Clause 15 (*Bondholders' Decision*), and the Bondholders may resolve to replace the Bond Trustee without the Issuer's approval.
- (b) The Bond Trustee may resign by giving notice to the Issuer and the Bondholders, in which case a successor Bond Trustee shall be elected pursuant to this Clause 16.5 (*Replacement of the Bond Trustee*), initiated by the retiring Bond Trustee.
- (c) If the Bond Trustee is Insolvent, or otherwise is permanently unable to fulfil its obligations under these Bond Terms, the Bond Trustee shall be deemed to have resigned and a successor Bond Trustee shall be appointed in accordance with this Clause 16.5 (*Replacement of the Bond Trustee*). The Issuer may appoint a temporary Bond Trustee until a new Bond Trustee is elected in accordance with paragraph (a) above.
- (d) The change of Bond Trustee's shall only take effect upon execution of all necessary actions to effectively substitute the retiring Bond Trustee, and the retiring Bond Trustee undertakes to co-operate in all reasonable manners without delay to such effect. The retiring Bond Trustee shall be discharged from any further obligation in respect of the Finance Documents from the change takes effect, but shall remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Bond Trustee. The retiring Bond Trustee remains entitled to any benefits under the Finance Documents before the change has taken place.
- (e) Upon change of Bond Trustee the Issuer shall co-operate in all reasonable manners without delay to replace the retiring Bond Trustee with the successor Bond Trustee and

release the retiring Bond Trustee from any future obligations under the Finance Documents and any other documents.

#### **16.6 Security Agent**

- (a) The Bond Trustee is appointed to act as Security Agent for the Bonds, unless any other person is appointed. The main functions of the Security Agent may include holding Transaction Security on behalf of the Secured Parties and monitoring compliance by the Issuer and other relevant parties of their respective obligations under the Transaction Security Documents with respect to the Transaction Security on the basis of information made available to it pursuant to the Finance Documents.
- (b) The Bond Trustee shall, when acting as Security Agent for the Bonds, at all times maintain and keep all certificates and other documents received by it, that are bearers of right relating to the Transaction Security in safe custody on behalf of the Bondholders. The Bond Trustee shall not be responsible for or required to insure against any loss incurred in connection with such safe custody.
- (c) Before the appointment of a Security Agent other than the Bond Trustee, the Issuer shall be given the opportunity to state its views on the proposed Security Agent, but the final decision as to appointment shall lie exclusively with the Bond Trustee.
- (d) The functions, rights and obligations of the Security Agent may be determined by a Security Agent Agreement to be entered into between the Bond Trustee and the Security Agent, which the Bond Trustee shall have the right to require each Obligor and any other party to a Finance Document to sign as a party, or, at the discretion of the Bond Trustee, to acknowledge. The Bond Trustee shall at all times retain the right to instruct the Security Agent in all matters, whether or not a separate Security Agent Agreement has been entered into.
- (e) The provisions set out in Clause 16.4 (*Expenses, liability and indemnity*) shall apply *mutatis mutandis* to any expenses and liabilities of the Security Agent in connection with the Finance Documents.

### **17. AMENDMENTS AND WAIVERS**

#### **17.1 Procedure for amendments and waivers**

- (a) The Issuer and the Bond Trustee (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive a past default or anticipated failure to comply with any provision in a Finance Document, provided that:
  - (i) such amendment or waiver is not detrimental to the rights and benefits of the Bondholders in any material respect, or is made solely for the purpose of rectifying obvious errors and mistakes; or
  - (ii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or
  - (iii) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 15 (*Bondholders' Decisions*).

- (b) Any changes to these Bond Terms necessary or appropriate in connection with the appointment of a Security Agent other than the Bond Trustee shall be documented in an amendment to these Bond Terms, signed by the Bond Trustee (in its discretion). If so desired by the Bond Trustee, any or all of the Transaction Security Documents shall be amended, assigned or re-issued, so that the Security Agent is the holder of the relevant Security (on behalf of the Bondholders). The costs incurred in connection with such amendment, assignment or re-issue shall be for the account of the Issuer.

## **17.2 Authority with respect to documentation**

If the Bondholders have resolved the substance of an amendment to any Finance Document, without resolving on the specific or final form of such amendment, the Bond Trustee shall be considered authorised to draft, approve and/or finalise (as applicable) any required documentation or any outstanding matters in such documentation without any further approvals or involvement from the Bondholders being required.

## **17.3 Notification of amendments or waivers**

The Bond Trustee shall as soon as possible notify the Bondholders of any amendments or waivers made in accordance with this Clause 17 (*Amendments and waivers*), setting out the date from which the amendment or waiver will be effective, unless such notice obviously is unnecessary. The Issuer shall ensure that any amendment to these Bond Terms is duly registered with the CSD.

## **18. MISCELLANEOUS**

### **18.1 Limitation of claims**

All claims under the Finance Documents for payment, including interest and principal, will be subject to the legislation regarding time-bar provisions of the Relevant Jurisdiction.

### **18.2 Access to information**

- (a) These Bond Terms will be made available to the public and copies may be obtained from the Bond Trustee or the Issuer. The Bond Trustee will not have any obligation to distribute any other information to the Bondholders or any other person, and the Bondholders have no right to obtain information from the Bond Trustee, other than as explicitly stated in these Bond Terms or pursuant to statutory provisions of law.
- (b) In order to carry out its functions and obligations under these Bond Terms, the Bond Trustee will have access to the relevant information regarding ownership of the Bonds, as recorded and regulated with the CSD.
- (c) The information referred to in paragraph (b) above may only be used for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and shall not disclose such information to any Bondholder or third party unless necessary for such purposes.

### **18.3 Notices, contact information**

Written notices to the Bondholders made by the Bond Trustee will be sent to the Bondholders via the CSD with a copy to the Issuer and the Exchange (if the Bonds are listed). Any such

notice or communication will be deemed to be given or made via the CSD, when sent from the CSD.

- (a) The Issuer's written notifications to the Bondholders will be sent to the Bondholders via the Bond Trustee or through the CSD with a copy to the Bond Trustee and the Exchange (if the Bonds are listed).
- (b) Unless otherwise specifically provided, all notices or other communications under or in connection with these Bond Terms between the Bond Trustee and the Issuer will be given or made in writing, by letter, e-mail or fax. Any such notice or communication will be deemed to be given or made as follows:
  - (i) if by letter, when delivered at the address of the relevant party;
  - (ii) if by e-mail, when received; and
  - (iii) if by fax, when received.
- (c) The Issuer and the Bond Trustee shall each ensure that the other party is kept informed of changes in postal address, e-mail address, telephone and fax numbers and contact persons.
- (d) When determining deadlines set out in these Bond Terms, the following will apply (unless otherwise stated):
  - (i) if the deadline is set out in days, the first day of the relevant period will not be included and the last day of the relevant period will be included;
  - (ii) if the deadline is set out in weeks, months or years, the deadline will end on the day in the last week or the last month which, according to its name or number, corresponds to the first day the deadline is in force. If such day is not a part of an actual month, the deadline will be the last day of such month; and
  - (iii) if a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Day.

#### **18.4 Defeasance**

- (a) Subject to paragraph (b) below and provided that:
  - (i) An amount sufficient for the payment of principal and interest on the Outstanding Bonds to the Maturity Date (including, to the extent applicable, any premium payable upon exercise of the Call Option), and always subject to paragraph (c) below (the "**Defeasance Amount**") is credited by the Issuer to an account in a financial institution acceptable to the Bond Trustee (the "**Defeasance Account**");
  - (ii) the Defeasance Account is irrevocably pledged and blocked in favour of the Bond Trustee on such terms as the Bond Trustee shall request (the "**Defeasance Pledge**"); and

- (iii) the Bond Trustee has received such legal opinions and statements reasonably required by it, including (but not necessarily limited to) with respect to the validity and enforceability of the Defeasance Pledge,

then;

- (A) the Issuer will be relieved from its obligations under Clause 12.2 (*Requirements as to Financial Reports*) paragraph (a), Clause 12.3 (*Put Option Event*), Clause 12.4 (*Information: miscellaneous*) and Clause 13 (*General and financial undertakings*);
  - (B) any Transaction Security shall be released and the Defeasance Pledge shall be considered replacement of the Transaction Security; and
  - (C) any Obligor shall be released from any Guarantee or other obligation applicable to it under any Finance Document.
- (b) The Bond Trustee shall be authorised to apply any amount credited to the Defeasance Account towards any amount payable by the Issuer under any Finance Document on the due date for the relevant payment until all obligations of the Issuer and all amounts outstanding under the Finance Documents are repaid and discharged in full.
  - (c) The Bond Trustee may, if the Defeasance Amount cannot be finally and conclusively determined, decide the amount to be deposited to the Defeasance Account in its discretion, applying such buffer amount as it deems required.

A defeasance established according to this Clause 18.4 may not be reversed.

## **19. GOVERNING LAW AND JURISDICTION**

### **19.1 Governing law**

These Bond Terms are governed by the laws of the Relevant Jurisdiction, without regard to its conflict of law provisions.

### **19.2 Main jurisdiction**

The Bond Trustee and the Issuer agree for the benefit of the Bond Trustee and the Bondholders that the City Court of the capital of the Relevant Jurisdiction shall have jurisdiction with respect to any dispute arising out of or in connection with these Bond Terms. The Issuer agrees for the benefit of the Bond Trustee and the Bondholders that any legal action or proceedings arising out of or in connection with these Bond Terms against the Issuer or any of its assets may be brought in such court.

### **19.3 Alternative jurisdiction**

Clause 19 (*Governing law and jurisdiction*) is for the exclusive benefit of the Bond Trustee and the Bondholders and the Bond Trustee have the right:

- (a) to commence proceedings against the Issuer or any other Obligor or its/their respective assets in any court in any jurisdiction; and

- (b) to commence such proceedings, including enforcement proceedings, in any competent jurisdiction concurrently.

#### **19.4 Service of process**

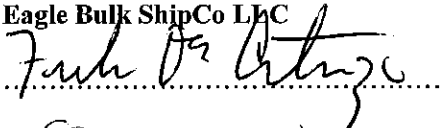
- (a) Without prejudice to any other mode of service allowed under any relevant law, the Issuer:
  - (i) irrevocably appoints MarineLaw AS as its agent for service of process in relation to any proceedings in connection with these Bond Terms; and
  - (ii) agrees that failure by an agent for service of process to notify the Issuer of the process will not invalidate the proceedings concerned.
- (b) If any person appointed as an agent for service of process is unable for any reason to act as agent for service of process, the Issuer must immediately (and in any event within ten (10) Business Days of such event taking place) appoint another agent on terms acceptable to the Bond Trustee. Failing this, the Bond Trustee may appoint another agent for this purpose.

-----000-----




These Bond Terms have been executed in two originals, of which the Issuer and the Bond Trustee shall retain one each.

**SIGNATURES:**

<b>The Issuer:</b>  <b>Eagle Bulk ShipCo LLC</b>  ..... By: Frank De Costanzo  Position: Chief financial officer	<b>As Bond Trustee and Security Agent:</b>  <b>Nordic Trustee AS</b>  .....  By:  Position:
---	---

These Bond Terms have been executed in two originals, of which the Issuer and the Bond Trustee shall retain one each.

**SIGNATURES:**

<b>The Issuer:</b>  <b>Eagle Bulk ShipCo LLC</b>  .....  By:  Position:	<b>As Bond Trustee and Security Agent:</b>  <b>Nordic Trustee AS</b>   ..... By: <b>Olav Slagsvold</b> Position: <i>Authorised signatory</i>
---	---

**SCHEDULE 1  
COMPLIANCE CERTIFICATE**

[date]

**Eagle Bulk ShipCo LLC 8.250% bonds 2017/2022 ISIN NO0010810872 after the Compliance Period. In the Compliance Period ISIN NO0010810864**

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer. Pursuant to Clause 12.2 (*Requirements as to Financial Reports*) of the Bond Terms a Compliance Certificate shall be issued in connection with each delivery of Financial Statements to the Bond Trustee.

This letter constitutes the Compliance Certificate for the period [●].

Capitalised terms used herein will have the same meaning as in the Bond Terms.

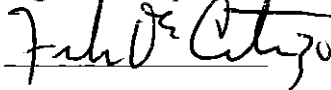
With reference to Clause 12.2 (*Requirements as to Financial Reports*) we hereby certify that all information delivered under cover of this Compliance Certificate is true and accurate and there has been no material adverse change to the financial condition of the Issuer since the date of the last accounts or the last Compliance Certificate submitted to you. Copies of our latest consolidated [Financial Statements] / [Interim Accounts] are enclosed.

The Financial Covenants set out in Clause 13.3 (*Financial Covenants*) are met, please see the calculations and figures in respect of the ratios attached hereto.

We confirm that, to the best of our knowledge, no Event of Default has occurred or is likely to occur.

Yours faithfully,

Eagle Bulk ShipCo LLC



*Name of authorised person*

*Enclosure: Financial Statements; and any other written documentation*

**SCHEDULE 2**  
**RELEASE NOTICE – ESCROW ACCOUNT**

[date]

Dear Sirs,

**Eagle Bulk ShipCo LLC 8.250% bonds 2017/2022 ISIN NO0010810872 after the Compliance Period. In the Compliance Period ISIN NO0010810864**

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer.

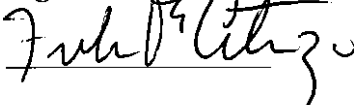
Capitalised terms used herein will have the same meaning as in the Bond Terms.

We hereby give you notice that we on [date] wish to draw an amount of [currency and amount] from the Escrow Account applied pursuant to the purpose set out in the Bond Terms, and request you to instruct the bank to release the above mentioned amount.

We hereby represent and warrant that (i) no Event of Default has occurred and is continuing or is likely to occur as a result of the release from the Escrow Account, and (ii) we repeat the representations and warranties set out in the Bond Terms as being still true and accurate in all material respects at the date hereof.

Yours faithfully,

Eagle Bulk ShipCo LLC



Name of authorized person

Enclosure: copy of any written documentation evidencing the use of funds

**SCHEDULE 3  
INITIAL VESSELS**

#	Initial Vessel:	Vessel Owner:	Built	IMO No.
1	Singapore Eagle	Singapore Eagle LLC	3-Jan-17	9788100
2	Stamford Eagle	Stamford Eagle LLC	15-Feb-16	9441269
3	Sandpiper Bulker	Sandpiper Shipping LLC	18-Oct-11	9441271
4	Roadrunner Bulker	Roadrunner Shipping LLC	1-Sep-11	9274575
5	Puffin Bulker	Puffin Shipping LLC	18-Aug-11	9224659
6	Petrel Bulker	Petrel Shipping LLC	13-Jul-11	9441283
7	Owl	Owl Shipping LLC	8-Jul-11	9478626
8	Oriole	Oriole Shipping LLC	19-May-11	9418729
9	Thrush	Thrush Shipping LLC	5-Jan-11	9441295
10	Thrasher	Thrasher Shipping LLC	28-Jan-10	9244855
11	Egret Bulker	Egret Shipping LLC	16-Jan-10	9224661
12	Crane	Crane Shipping LLC	12-Jan-10	9284843
13	Canary	Canary Shipping LLC	15-Dec-09	9296157
14	Bittern	Bittern Shipping LLC	20-Oct-09	9223552
15	Stellar Eagle	Stellar Eagle Shipping LLC	24-Mar-09	9441374
16	Crested Eagle	Crested Eagle Shipping LLC	1-Feb-09	9241504
17	Crowned Eagle	Crowned Eagle Shipping LLC	11-Nov-08	9441386
18	Jaeger	Jaeger Shipping LLC	29-Oct-04	9441398
19	Cardinal	Cardinal Shipping LLC	1-Jul-04	9441403
20	Kestrel I	Kestrel Shipping LLC	3-Jun-04	9441415
21	Skua	Skua Shipping LLC	16-May-03	9441427
22	Shrike	Shrike Shipping LLC	26-Mar-03	9237187
23	Tern	Tern Shipping LLC	1-Jan-03	9237199
24	Osprey I	Osprey Shipping LLC	1-Jul-02	9735127
25	Goldeneye	Goldeneye Shipping LLC	15-Jan-02	9514004
26	Merlin	Merlin Shipping LLC	1-Mar-01	9266190
27	Condor	Condor Shipping LLC	1-Jan-01	9347932
28	Hawk I	Hawk Shipping LLC	1-Jan-01	9347920

**SCHEDULE 4**  
**APPROVED BROKERS**

Arrow  
Braemar  
Clarksons Platou  
Fearnleys  
Howe Robinson  
Simpson Spence Young

**APPENDIX 2:**

**CONSOLIDATED FINANCIAL STATEMENTS FOR EAGLE BULK SHIPCO LLC AS OF  
AND FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016 AND  
INDEPENDENT AUDITORS' REPORT**

**EAGLE BULK SHIPCO LLC AND  
SUBSIDIARIES**

**Consolidated Financial Statements as of and for the Years Ended December 31,  
2017 and 2016 and**

**Independent Auditors' Report**



## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

<a href="#"><u>Independent Auditors' Report</u></a>	<a href="#"><u>F-1</u></a>
<a href="#"><u>Consolidated Balance Sheets as of December 31, 2017 and 2016</u></a>	<a href="#"><u>F-2</u></a>
<a href="#"><u>Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2017 and 2016</u></a>	<a href="#"><u>F-3</u></a>
<a href="#"><u>Consolidated Statements of Changes in Member's Equity for the years ended December 31, 2017 and 2016</u></a>	<a href="#"><u>F-4</u></a>
<a href="#"><u>Consolidated Statements of Cash Flows for the years ended December 31, 2017 and 2016</u></a>	<a href="#"><u>F-5</u></a>
<a href="#"><u>Notes to Consolidated Financial Statements</u></a>	<a href="#"><u>F-5</u></a>

## **INDEPENDENT AUDITORS' REPORT**

### **To the Board of Directors of Eagle Bulk Shipping Inc.**

We have audited the accompanying consolidated financial statements of Eagle Bulk Shipco LLC and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, changes in member's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Eagle Bulk Shipco LLC and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

April 27, 2018

# EAGLE BULK SHIPCO LLC AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

	December 31, 2017	December 31, 2016
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 7,744,005	\$ 2,065,925
Accounts receivable	9,869,508	2,202,332
Accounts receivable - related party	41,830	4,736,425
Prepaid expenses	516,845	1,616,853
Inventories	7,174,889	6,086,317
Other current assets	126,837	—
Total current assets	25,473,914	16,707,852
<b>Noncurrent assets:</b>		
Vessels and vessel improvements, at cost, net of accumulated depreciation of \$70,558,905 and \$53,346,808, respectively	366,054,562	363,093,345
Advance for purchase of vessel	—	1,926,886
Deferred drydocking costs, net	6,765,953	7,273,179
Deferred financing costs - Super Senior Revolver Facility	190,000	—
Total noncurrent assets	373,010,515	372,293,410
<b>Total assets</b>	<b>\$ 398,484,429</b>	<b>\$ 389,001,262</b>
<b>LIABILITIES &amp; MEMBER'S EQUITY:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 3,448,101	\$ 3,026,909
Accrued interest	1,566,333	—
Fair value of derivatives	73,170	—
Other accrued liabilities	5,031,517	4,443,050
Unearned charter hire revenue	2,916,029	3,140,003
Current portion of long-term debt - Norwegian Bond Debt	4,000,000	—
Total current liabilities	17,035,150	10,609,962
<b>Noncurrent liabilities:</b>		
Norwegian Bond Debt, net of debt discount and debt issuance costs	189,950,329	—
Total noncurrent liabilities	189,950,329	—
<b>Total liabilities</b>	<b>206,985,479</b>	<b>10,609,962</b>
Commitment and contingencies		
<b>Member's equity:</b>		
Common shares, zero par value, 100 shares authorized and issued	—	—
Paid-in Capital	365,592,997	551,480,183
Accumulated Deficit	(174,094,047)	(173,088,883)
Total Member's equity	191,498,950	378,391,300
<b>Total liabilities and Member's equity</b>	<b>\$ 398,484,429</b>	<b>\$ 389,001,262</b>

The accompanying notes are an integral part of these Consolidated Financial Statements

**EAGLE BULK SHIPCO LLC AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

	<b>For the Years Ended</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Revenues, net	\$ 109,086,680	\$ 58,606,555
Voyage expenses	22,464,776	16,694,494
Vessel expenses	49,065,948	45,260,462
Depreciation and amortization	20,298,433	26,015,945
General and administrative expenses	16,466,046	12,802,605
Vessel impairment	—	98,646,166
Total operating expenses	108,295,203	199,419,672
Operating income/(loss)	791,477	(140,813,117)
Interest expense	1,677,677	—
Other expense, net	118,964	—
Total other expenses, net	1,796,641	—
Net loss and comprehensive loss	\$ (1,005,164)	\$ (140,813,117)

The accompanying notes are an integral part of these Consolidated Financial Statements

**EAGLE BULK SHIPCO LLC AND SUBSIDIARIES**

**STATEMENT OF CHANGES IN MEMBER'S EQUITY**

	<b>Common shares amount</b>	<b>Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Total Member's Equity</b>
Balance at January 1, 2016	\$ —	\$ 508,054,148	\$ (32,275,766)	\$ 475,778,382
Net loss	—	—	(140,813,117)	(140,813,117)
Capital contribution of services by the Parent Company	—	12,771,372	—	12,771,372
Cash capital contribution by the Parent Company	—	30,654,663	—	30,654,663
Balance at December 31, 2016	—	551,480,183	(173,088,883)	378,391,300
Net loss	—	—	(1,005,164)	(1,005,164)
Cash capital distribution to the Parent Company	—	(223,458,914)	—	(223,458,914)
Capital contribution of services by the Parent Company	—	14,825,300	—	14,825,300
Cash capital contribution by the Parent Company	—	22,746,428	—	22,746,428
Balance at December 31, 2017	\$ —	\$ 365,592,997	\$ (174,094,047)	\$ 191,498,950

The accompanying notes are an integral part of these Consolidated Financial Statements

**EAGLE BULK SHIPCO LLC AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>For the Years Ended</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (1,005,164)	\$ (140,813,117)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:		
Depreciation	17,212,097	23,782,074
Amortization of deferred drydocking costs	3,086,336	2,233,871
Amortization of debt discount and debt issuance costs	111,344	—
Management services contributed by the Parent Company	14,825,300	12,771,372
Vessel impairment	—	98,646,166
Net unrealized loss on fair value of derivatives	73,170	—
Drydocking expenditures	(2,579,110)	(3,306,171)
Changes in operating assets and liabilities:		
Accounts receivable	(2,972,581)	(671,011)
Prepaid expenses	1,100,008	(441,231)
Inventories	(1,088,572)	(1,953,399)
Accounts payable	421,192	(344,192)
Accrued interest	1,566,333	—
Other current assets	(126,837)	—
Other accrued liabilities	(355,534)	(386,403)
Unearned revenue	(223,974)	2,591,092
<b>Net cash provided by/(used in) operating activities</b>	<b>30,044,008</b>	<b>(7,890,949)</b>
<b>Cash flows from investing activities:</b>		
Vessel purchases and improvements	(18,246,428)	(19,675,309)
Advance for purchase of vessel	—	(1,926,886)
<b>Net cash used in investing activities</b>	<b>(18,246,428)</b>	<b>(21,602,195)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from the Norwegian Bond Debt, net of discount	198,092,000	—
Other financing costs	(3,499,014)	—
Return of capital to the Parent Company	(223,458,914)	—
Capital contribution from the Parent Company	22,746,428	30,654,663
<b>Net cash provided by financing activities</b>	<b>(6,119,500)</b>	<b>30,654,663</b>
Net increase in cash and cash equivalents	5,678,080	1,161,519
Cash and cash equivalents at beginning of year	2,065,925	904,406
<b>Cash and cash equivalents at end of year</b>	<b>\$ 7,744,005</b>	<b>\$ 2,065,925</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for interest	—	—
Accrued debt issuance costs during the period	\$ 944,000	—

The accompanying notes are an integral part of these Consolidated Financial Statements.

**EAGLE BULK SHIPCO LLC AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1. General Information:**

The accompanying consolidated financial statements include the accounts of Eagle Bulk Shipco LLC ("Shipco" or "Issuer"), a limited liability company organized under the laws of Marshall Islands on September 20, 2016 and its wholly-owned subsidiaries of 28 vessel owning entities, (collectively, the "Company"). The Company is engaged in the ocean transportation of dry bulk cargoes worldwide through the ownership, charter and operation of dry bulk vessels. The Company's fleet is comprised of Supramax and Ultramax bulk carriers, which are considered to be Handymax class of vessels and the Company operates its business in one business segment. The operations of the vessels are managed by Eagle Bulk Management LLC, a wholly-owned subsidiary of Eagle Bulk Shipping Inc. (the "Parent Company"). Shipco is a wholly-owned subsidiary of the Parent Company.

On November 22, 2017, Shipco issued \$200,000,000 in aggregate principal amount of 8.25% Senior Secured Bonds (the "Norwegian Bond Debt" or the "Norwegian Bonds"), pursuant to the bond terms (the "Bond Terms"), by and between the Issuer and Nordic Trustee AS, a company existing under the laws of Norway (the "Bond Trustee"). After giving effect to an original issue discount of approximately 1% and deducting offering expenses of \$3.1 million, the net proceeds from the issuance of the bonds were approximately \$195.0 million. These net proceeds from the bonds were distributed to the Parent Company, which in turn used the funds to repay outstanding debt under various debt facilities of Eagle Shipping LLC ("Eagle Shipping"), a wholly-owned subsidiary of the Parent Company.

In connection with the issuance of the Norwegian Bond Debt, Eagle Shipping transferred ownership of certain wholly-owned vessel-owning subsidiaries to the Company, such that the Company became the direct parent of 26 vessel owning entities which were previously owned by Eagle Shipping. The Company previously was the direct parent of two Ultramax vessels. The Norwegian Bond Debt was guaranteed by the limited liability companies that are the legal beneficial owners of 28 vessels and secured by mortgages over such vessels.

The transfer of the net assets of Eagle Shipping, as discussed above, have been accounted for as a transaction between entities under common control, as per FASB Accounting Standards Codification 805-50. As such, the accompanying consolidated financial statements have been adjusted retrospectively to include, at book value, the net assets received and related operations for the entire periods presented. The outstanding debt under various debt facilities of Eagle Shipping or the Parent Company was not retrospectively pushed down to the Company and the proportionate share of interest expense on the 26 vessel owning entities was not recorded in the Company's consolidated statement of operations for the year ended December 31, 2016 and through November 22, 2017.

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

As of December 31, 2017, the Company owned and operated a modern fleet of 28 oceangoing vessels, 26 Supramax, and two Ultramax, with a combined carrying capacity of 1,544,070 dwt and an average age of approximately 9.8 years.

There are no charterers for the Company that individually accounted for more than 10% of the Company's revenue for the years ended December 31, 2017 and 2016.

Share capital as of December 31, 2017 consists of 100 authorized and issued shares with no par value. The shares were issued to the Parent Company as its sole member.

**Note 2. Significant Accounting Policies:**

- (a) ***Basis of presentation:*** The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of Eagle Bulk Shipco LLC and its wholly-owned subsidiaries. All intercompany balances and transactions were eliminated upon consolidation. As a result of the Company being financed at the Parent Company level through December 8, 2017, and the allocation through management fees of a portion of Parent Company general and administrative expenses, these financial statements may not be reflective of the Company's operations if the Company were to operate on a standalone basis.

- (b) **Use of Estimates:** The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates include vessel valuation, residual value of vessels, the useful lives of vessels, allocation of Parent Company's general and administrative expenses and the fair value of derivatives. Actual results could differ from those estimates.
- (c) **Cash and Cash Equivalents:** The Company considers liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less at the time of purchase to be cash equivalents.
- (d) **Accounts Receivable:** Accounts receivable includes receivables from charterers and related parties for hire and voyage charterers. At each balance sheet date, all potentially uncollectible accounts are assessed for purposes of determining the appropriate provision for doubtful accounts.
- (e) **Insurance Claims:** Insurance claims are recorded as incurred and represent the claimable expenses, net of deductibles, incurred through each balance sheet date, which are expected to be recovered from insurance companies.
- (f) **Inventories:** Inventories, which consist of bunkers, are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out method. Lubers and spares are expensed as incurred. We adopted Accounting Standard Update No. 2015-11, "Simplifying the Measurement of Inventory" prospectively effective January 1, 2017 that requires the inventory to be measured at the lower of cost and net realizable value. There was no impact on the consolidated financial statements as a result of the adoption of the new accounting standard.
- (g) **Vessels and vessel improvements, at cost:** Vessels are stated at cost, which consists of the contract price, and other direct costs relating to acquiring and placing the vessels in service. Major vessel improvements are capitalized and depreciated over the remaining useful lives of the vessels. Additionally, any fees paid to the Parent Company and its wholly-owned subsidiaries in relation to the purchase of vessels is added to the vessels' cost basis and depreciated over the remaining useful lives of the vessels. Such fees amounted to \$0.4 million and zero respectively, for the years ended December 31, 2017 and 2016. Refer to Note 3 - Vessels and vessel improvements and Note 7 "Related Party Transactions" to the consolidated financial statements for further discussion.  
Depreciation is calculated on a straight-line basis over the estimated useful lives of the vessels based on the cost of the vessels reduced by the estimated scrap value of the vessels as discussed below.
- (h) **Vessel lives and Impairment of Long-Lived Assets:** The Company estimates the useful life of the Company's vessels to be 25 years from the date of initial delivery from the shipyard to the original owner. The useful lives of the Company's vessels are evaluated to determine if events have occurred which would require modification to their useful lives. In addition, the Company estimates the scrap value of the vessels to be \$300 per light weight ton ("lwt") based on the 15-year average scrap value of steel.  
  
The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, the Company will evaluate the asset for an impairment loss. Measurement of the impairment loss is based on the fair value of the asset as provided by third parties or discounted cash flow analysis. In this respect, management regularly reviews the carrying amount of the vessels in connection with the estimated recoverable amount for each of the Company's vessels. We did not recognize a vessel impairment charge for the year ended December 31, 2017. For the year ended December 31, 2016, we recognized impairment charges of \$98.6 million. Refer to Note 3 - Vessels and vessel improvements for further discussion.
- (i) **Accounting for Drydocking Costs:** The Company follows the deferral method of accounting for drydocking costs whereby actual costs incurred are deferred and are amortized on a straight-line basis over the period through the date the next drydocking is required to become due, generally 30 months if the vessels are 15 years old or more and 60 months for the vessels younger than 15 years. Costs deferred as part of the drydocking include direct costs that are incurred as part of the drydocking to meet regulatory requirements. Certain costs are capitalized during drydocking if they are expenditures that add economic life to the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs that are deferred include the shipyard costs, parts, inspection fees, steel, blasting and painting. Expenditures for normal maintenance and repairs, whether incurred as part of the drydocking or not, are expensed as incurred. Unamortized drydocking costs of vessels that are sold are written off and included in the calculation of the resulting gain or loss in the year of the vessels' sale. Unamortized drydocking costs are written off as drydocking expense if the vessels are drydocked before the expiration of the applicable amortization period.
- (j) **Deferred Financing Costs:** Fees incurred for obtaining new loans or refinancing existing ones are deferred and amortized to interest expense over the life of the related debt using the effective interest method. Unamortized deferred financing costs are written off when the related debt is repaid or refinanced and such amounts are expensed in the period the repayment or refinancing is made. Such amounts are classified as a reduction of the long-term debt balance on the consolidated balance sheets. For our Super Senior Revolver Facility, as no amounts have been drawn, deferred financing fees of \$190,000 have been classified as a non-current asset on the Consolidated Balance Sheet as of December 31, 2017.



- (k) **Accounting for Revenues and Expenses:** Revenues generated from time charters and/or revenues generated from profit sharing arrangements are recognized on a straight-line basis over the term of the respective time charter agreements as service is provided and the profit sharing is fixed and determinable. Revenues generated from time charters linked to the Baltic Supramax index and/or revenues generated from profit sharing arrangements are recognized over the term of the respective time charter agreements as service is provided and the profit sharing is fixed and determinable.

Under voyage charters, voyage revenues for cargo transportation are recognized ratably over the estimated relative transit time of each voyage. Voyage revenue is deemed to commence upon the completion of discharge of the previous charterer's cargo and is deemed to end upon the completion of discharge of the current cargo, provided an agreed non-cancellable charter between the Company and the charterer is in existence, the charter rate is fixed and determinable, and collectability is reasonably assured. Revenue under voyage charters will not be recognized until a charter has been agreed even if the vessel has discharged its previous cargo and is proceeding to an anticipated port of loading. Under voyage charters, voyage expenses such as bunkers, port charges, canal tolls, cargo handling operations and brokerage commissions are paid by the Company whereas, under time charters, such voyage costs are paid by the Company's customers. Vessel operating costs include crewing, vessel maintenance and vessel insurance. All voyage and vessel operating expenses are expensed as incurred on an accrual basis, except for commissions. Commissions are recognized over the related time or voyage charter period since commissions are earned as the Company's revenues are earned. Probable losses on voyages are provided for in full at the time such loss can be estimated.

- (l) **Accounting for general and administrative expenses:** General and administrative expenses represent the technical and management fees and overhead allocation owed by the Company under the existing management agreements to the Parent Company and its other wholly-owned subsidiaries. Upon commencement of the management agreements, such costs are payable to the Parent Company, or other wholly-owned subsidiaries of the Parent Company. Additionally, for periods prior to the commencement of the existing management agreements, the Company has reflected its estimate of the costs incurred to provide such services to the Company, and has reflected such costs as a component of general and administrative expenses and as additions to paid-in capital, as such costs will not be collected from the Company. Management believes that such allocation of costs fairly represent the value of the services provided to the Company by the Parent Company and its subsidiaries. Refer to Note 7. "Related Party Transactions" for further discussion.
- (m) **Unearned Charter Hire Revenue:** Unearned charter hire revenue represents cash received from charterers prior to the time such amounts are earned. These amounts are recognized as revenue as services are provided in future periods.
- (n) **Repairs and Maintenance:** All repair and maintenance expenses are expensed as incurred and are recorded in Vessel Expenses.
- (o) **Protection and Indemnity Insurance:** The Company's Protection and Indemnity Insurance is subject to additional premiums referred to as "back calls" or "supplemental calls" which are accounted for on an accrual basis and are recorded in Vessel Expenses.
- (p) **Federal Taxes:** The Company is a Republic of the Marshall Islands Corporation and is a disregarded entity for US tax purposes and therefore not subject to United States federal taxes on United States source shipping income.

### ***Impact of Recently Issued Accounting Standards***

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging ("ASU-2017-12"), which is intended to align the results of the cash flow and fair value hedge accounting with the risk management activities of an entity. The amendments expand the hedge accounting for both financial and non-financial risk components and they reduce the operational burden of applying hedge accounting. The amendment enables the financial statements to reflect accurately the intent and outcome of its hedging strategies. ASU 2017-12 requires a modified retrospective transition method in which the Company will recognize the cumulative effect of the change on the opening balance of each affected component of equity in the consolidated balance sheet as of the date of adoption. The Standard is effective for fiscal years beginning after December 15, 2018, and interim periods with those fiscal years. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, and shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers. This update provides further guidance on applying collectability criterion to assess whether the contract is valid and represents a substantive transaction on the basis whether a customer has the ability and intention to pay the promised consideration. The requirements of this standard include an increase in required disclosures. Management has assembled an internal project team and is currently analyzing contracts with our customers covering the significant streams of the Company's annual revenues under the provisions of the new standard as well as changes necessary to information technology systems, processes and internal controls to capture new data and address changes in financial reporting. Management will apply the modified retrospective transition method and will recognize the cumulative effect of adopting this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018. Prior periods will not be retrospectively adjusted. The Company continues to make progress in its implementation and assessment of the new revenue standard. While the assessment is still ongoing, based on the progress made to date, the Company expects that the timing of recognition of revenue for certain ongoing charter contracts will be impacted as well as the timing of recognition of certain voyage related costs. While the assessment of certain effects of the adoption of the ASU 2014-09 are ongoing, the timing of recognition will primarily impact spot voyage charters. Under ASU 2014-09, revenue will be recognized from when the vessel arrives at the load port until the completion of discharge at the discharge port instead of recognizing revenue from the discharge of the previous voyage provided an agreed non-cancellable charter between the Company and the charterer is in existence, the charter rate is fixed and determinable, and collectability is reasonably assured. The financial impact of adoption will depend on the number of spot voyages and time charter arrangements as well as their percentage of completion at January 1, 2018. The Company expects that the adoption of ASU 2014-09 will result in an increase in the opening Accumulated Deficit balance as of January 1, 2018 in the Consolidated Balance Sheet of approximately \$0.2 million to \$0.8 million as a result of the adjustment of Revenue and Voyage expenses. The above estimate could potentially change upon further evaluation. Additionally, the Company is currently evaluating the adjustment, if any, to other expenses such as Vessel expenses in the Consolidated Statement of Operations and the additional presentation and disclosure requirements of ASU 2014-09 on our consolidated financial statements.

### **Note 3. Vessels and vessel improvements**

As of December 31, 2017, the Company's operating fleet consisted of 28 dry bulk vessels.

As of December 31, 2016, as part of our fleet renewal program, management considered it probable that we would divest some of our older vessels as well as certain less efficient vessels from its fleet to achieve operating cost savings. The Company identified two groups of vessels. Group 1 vessels were selected based on the shipyard they were built and their technical specifications. The group consisted of two sister ships constructed in Dayang shipyard with 53,000 dwt. These vessels were identified by management as having poorer fuel efficiency, among other reasons, compared to their peers. The second group of 11 vessels were older than 13 years and less than 53,000 dwt. As vessels get older, they become more expensive to maintain and drydock. Additionally, management's strategy entails moving to larger Ultramax vessels as the Company renews its fleet. For those thirteen vessels, management believed that it is probable that such vessels will be sold within the next two years. Based on management's projected undiscounted cash flows prior to sale, factoring the probability of sale, such vessels were determined to be impaired, and written down to their current fair value as of December 31, 2016, which was determined by obtaining broker quotes from two unaffiliated shipbrokers. As a result, the Company recorded an impairment charge of \$98,646,166 in the fourth quarter of 2016. The carrying value of these vessels prior to impairment was \$185,549,476. Out of the vessels impaired as of December 31, 2016, the Company signed a memorandum of sale on one vessel. For non-recurring fair value disclosure, please refer to Note 8. "Derivative instruments and Fair value measurements" to the consolidated financial statements.

On November 14, 2016, the Company signed a memorandum of agreement to acquire a 2017 built 64,000 dwt SDARI-64 Ultramax dry bulk vessel constructed at Chengxi Shipyard Co., Ltd for \$17.9 million. The Company took delivery of the vessel, the Singapore Eagle, on January 11, 2017.

On March 23, 2018, the Company signed a memorandum of agreement to sell the vessel Thrush for \$10.9 million after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Company expects to recognize a gain of \$0.4 million.

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Vessel and vessel improvements at the beginning of the year	\$ 363,093,345	\$ 465,846,276
Advance paid for purchase of Singapore Eagle	1,926,886	—
Purchase of Vessels and vessel improvements *	18,246,428	19,675,309
Depreciation Expense	(17,212,097)	(23,782,074)
Vessel impairment charge	—	(98,646,166)
Vessel and vessel improvements at the end of the year	<b>\$ 366,054,562</b>	<b>\$ 363,093,345</b>

\*Purchase of vessels and vessel improvements include \$0.4 million paid to Eagle Shipping LLC, a wholly-owned subsidiary of the Parent Company, pursuant to the terms of the management agreement in place. Please refer to Note 5 "Related Party Transactions" to the consolidated financial statements.

#### **Note 4. Deferred Drydock costs**

Drydocking activity is summarized as follows:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Beginning Balance	\$ 7,273,179	\$ 6,200,879
Drydocking expenditures	2,579,110	3,306,171
Drydock amortization	(3,086,336)	(2,233,871)
Ending Balance	<b>\$ 6,765,953</b>	<b>\$ 7,273,179</b>

#### **Note 5. Other Accrued liabilities**

Other accrued liabilities consist of:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Vessel and voyage expenses	\$ 3,884,368	\$ 4,122,859
Accrued deferred financing costs	944,000	—
Other expenses	203,149	320,191
Balance	<b>\$ 5,031,517</b>	<b>\$ 4,443,050</b>

#### **Note 6. Debt**

Long-term debt consists of the following:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Norwegian Bond Debt	\$ 200,000,000	—
Debt discount and debt issuance costs - Norwegian Bond Debt	(6,049,671)	—
Norwegian Bond Debt, net of debt discount and debt issuance costs	193,950,329	—
Less: Current Portion - Norwegian Bond Debt	(4,000,000)	—
Total long-term debt	<b>\$ 189,950,329</b>	<b>—</b>

## Norwegian Bond Debt

On November 28, 2017, Shipco issued into escrow \$200,000,000 in aggregate principal amount of 8.250% Senior Secured Bonds, pursuant to the Bond Terms, dated as of November 22, 2017, by and between the Issuer and the Bond Trustee. After giving effect to an original issue discount of approximately 1% and deducting offering expenses of \$3.1 million, the net proceeds from the issuance of the Norwegian Bonds were approximately \$195.0 million. These net proceeds from the Norwegian Bonds were distributed to the Parent Company which in turn used the funds to repay outstanding debt under various debt facilities of Eagle Shipping, a wholly-owned subsidiary of the Parent Company. Shipco incurred \$1.2 million in other financing costs in connection with the transaction.

The Norwegian Bond Debt is guaranteed by the limited liability companies that are subsidiaries of the Issuer and the legal and beneficial owners of 28 vessels in the Company's fleet, and are secured by mortgages over such vessels, a pledge granted by the Parent Company over all of the shares of the Issuer, a pledge granted by the Issuer over all the shares in the vessel owning entities, certain charter contract assignments, certain assignments of earnings, a pledge over certain accounts, an assignment of insurances covering security vessels, and assignments of intra-group debt between the Parent Company and the Issuer or its subsidiaries.

Pursuant to the Bond Terms, interest on the Norwegian Bonds will accrue at a rate of 8.250% per annum on the nominal amount of each of the Norwegian Bonds from November 28, 2017, payable semi-annually on May 29 and November 29 of each year (each, an "Interest Payment Date"), commencing May 29, 2018. Furthermore, if Shipco fails to have the Norwegian Bonds listed for trading within twelve months of the issue date, the rate on the Norwegian Bonds will increase by 0.5%. The Bonds will mature on November 28, 2022. On each Interest Payment Date from and including November 29, 2018, the Issuer must repay an amount of \$4,000,000, plus accrued interest thereon. Any outstanding Norwegian Bonds must be repaid in full on the Maturity Date at a price equal to 100% of the nominal amount, plus accrued interest thereon.

The Issuer may redeem some or all of the outstanding Norwegian Bonds at any time on or after the Interest Payment Date in May 2020 (the "First Call Date"), at the following redemption prices (expressed as a percentage of the nominal amount), plus accrued interest on the redeemed amount, on any business day from and including:

Period	Redemption Price
First Call Date to, but not including, the Interest Payment Date in November 2020	104.125%
Interest Payment Date in November 2020 to but not including, the Interest Payment Date in May 2021	103.3%
Interest Payment Date in May 2021 to, but not including, the Interest Payment Date in November 2021	102.475%
Interest Payment Date in November 2021 to, but not including, the Interest Payment Date in May 2022	101.65%
Interest Payment Date in May 2022 to, but not including, the Maturity Date	100%

Prior to the First Call Date, the Issuer may redeem some or all of the outstanding Norwegian Bonds at a price equal to 100% of the nominal amount of the Norwegian Bonds plus a "make-whole" premium and accrued and unpaid interest to the redemption date.

If the Parent Company experiences a change of control, each holder of the Norwegian Bonds will have the right to require that the Issuer purchase all or some of the Norwegian Bonds held by such holder at a price equal to 101% of the nominal amount, plus accrued interest.

The Bond Terms contain certain financial covenants that the Issuer's leverage ratio defined as the ratio of outstanding bond amount and any drawn amounts under the Super Senior Facility less consolidated cash balance to the aggregate book value of the 28 vessels in the Company's fleet must not exceed 75% and its and its subsidiaries' free liquidity must at all times be at least \$12,500,000. The Company is in compliance with its financial covenants as of December 31, 2017.

The Bond Terms also contain certain events of default customary for transactions of this type, including, but not limited to, those relating to: a failure to pay principal or interest; a breach of covenants, representation or warranty; a cross default to other indebtedness; the occurrence of certain bankruptcy and insolvency events; and the impossibility or unlawfulness of performance of the finance documents.

The Bond Terms also contain certain exceptions and qualifications, among other things, limit the Parent Company's and the Issuer's ability and the ability of the Issuer's subsidiaries to do the following: make distributions; carry out any merger, other business combination, demerger or corporate reorganization; make substantial changes to the general nature of their respective businesses; incur certain indebtedness; incur liens; make loans or guarantees; make certain investments; transact with affiliates; enter into sale and leaseback transactions; engage in certain chartering-in of vessels; dispose of shares of the vessel owning entities; or acquire the Norwegian Bonds.

#### *Super Senior Facility*

On December 8, 2017, Shipco entered into the Super Senior Facility agreement, which provides for a revolving credit facility in an aggregate amount of up to \$15,000,000 (the "Super Senior Facility"). The proceeds of the Super Senior Facility, which are currently undrawn, are expected, pursuant to the terms of the Super Senior Facility, to be used (i) to acquire additional vessels or vessel owners and (ii) for general corporate and working capital purposes of Shipco and its subsidiaries. The Super Senior Facility matures on August 28, 2022. Shipco paid \$190,000 as other financing costs in connection with the transaction.

As of December 31, 2017, the availability under the Super Senior Facility is \$15,000,000. As of December 31, 2017, Shipco is utilizing \$4.8 million of the undrawn Super Senior Facility towards its minimum liquidity covenant under the Norwegian Bond Debt.

The outstanding borrowings under the Super Senior Facility will bear interest at LIBOR plus 2.00% per annum and commitment fees of 40% of the applicable margin on the undrawn portion of the facility. For each loan that is requested under the Super Senior Facility, Shipco must repay such loan along with accrued interest on the last day of each interest period relating to the loan. Interest periods are for three months, six months or any other period agreed between Shipco and the Super Senior Facility Agent. Additionally, subject to the other terms of the Super Senior Facility, amounts repaid on the last day of each interest period may be re-borrowed.

Shipco's obligations under the Super Senior Facility are guaranteed by the limited liability companies that are subsidiaries of Shipco and the legal and beneficial owners of 28 vessels in the Company's fleet, and are secured by mortgages over such vessels, a pledge granted by the Parent Company over all of the shares of Shipco, a pledge granted by Shipco over all the shares in the 28 vessel owning entities, certain charter contract assignments, certain assignments of earnings, a pledge over certain accounts, an assignment of insurances covering security vessels, and assignments of intra-group debt between the Parent Company and Shipco or its subsidiaries. The Super Senior Facility ranks super senior to the Norwegian Bonds with respect to any proceeds from any enforcement action relating to security or guarantees for both the Super Senior Facility and the Norwegian Bonds.

The Super Senior Facility contains certain covenants that, subject to certain exceptions and qualifications, among other things, limit Shipco's and its subsidiaries' ability to do the following: make distributions; carry out any merger, other business combination, or corporate reorganization; make substantial changes to the general nature of their respective businesses; incur certain indebtedness; incur liens; make loans or guarantees; make certain investments; transact other than on arm's-length terms; enter into sale and leaseback transactions; engage in certain chartering-in of vessels; or dispose of shares of Shipco's vessel owning entities. Additionally, the Company's leverage ratio must not exceed 75% and its and its subsidiaries' free liquidity must at all times be at least \$12,500,000. Also, the total commitments under the Super Senior Facility will be cancelled if (i) at any time the aggregate market value of the security vessels for the Super Senior Facility is less than 300% of the total commitments under the Super Senior Facility or (ii) if Shipco or any of its subsidiaries redeems or otherwise repays the Norwegian Bonds so that less than \$100,000,000 is outstanding under the Bond Terms. The Company is in compliance with its financial covenants as of December 31, 2017.

The Super Senior Facility also contains certain events of default customary for transactions of this type, including, but not limited to, those relating to: a failure to pay principal or interest; a breach of covenants, representation or warranty; a cross default to other indebtedness; the occurrence of certain bankruptcy and insolvency events; the cessation of business; the impossibility or unlawfulness of performance of the finance documents for the Super Senior Facility; and the occurrence of a material adverse effect.

## Interest rates

For the year ended December 31, 2017, interest rates on the Norwegian Bond Debt is 8.25%. The weighted average effective interest rate on the same was 8.84%. The interest expense for the year ended December 31, 2017 represents only interest expense from November 22, 2017 until December 31, 2017. Prior to November 22, 2017, the Company had no outstanding debt and the 26 guarantors served as security under outstanding debt facilities by Eagle Shipping. Please refer to Note 1. "General information" to the consolidated financial statements.

Interest expense consisted of:

	For the Years Ended	
	December 31, 2017	December 31, 2016
Norwegian Bond Debt interest	\$ 1,558,333	\$ —
Amortization of deferred financing costs	111,344	—
Commitment fees - Super Senior Revolver Facility	8,000	—
Total Interest Expense	<u>\$ 1,677,677</u>	<u>\$ —</u>

## Note 7. Related Party transactions

Shipco entered into a commercial and technical management agreement with Eagle Shipping LLC, a wholly-owned subsidiary of the Parent Company, on November 21, 2016 for performance of technical and commercial services at a fee of \$150,000 per vessel per annum for commercial management services and \$135,000 per vessel per annum for technical management services for one vessel. Additionally, Shipco is required to pay 1% of the purchase price of every new vessel purchased to Eagle Shipping LLC which amounted to \$0.4 million for the year ended December 31, 2017, which is included in vessel and vessel improvements in the consolidated balance sheet as of December 31, 2017. An additional vessel was added to the agreement upon delivery of the Singapore Eagle in January 2017.

On December 8, 2017, Shipco cancelled the above existing agreement and entered into a new commercial and technical management agreement with Eagle Bulk Management LLC, a wholly-owned subsidiary of the Parent Company, for performance of technical and commercial services to 28 vessels owned by Shipco at a fee of \$150,000 per vessel per annum for commercial management services and \$135,000 per vessel per annum for technical management services. Additionally, Shipco also entered into an overhead sharing agreement which provides for an additional fee allocation of cash general and administrative expenses of Eagle Bulk Management LLC, less the technical and commercial management fees already paid, based on relative vessel ownership days of Shipco to the total consolidated vessel ownership days of the Parent Company and all of its subsidiaries. The term of the agreements shall continue thereafter until terminated in writing by one of the parties. The agreement may be terminated with or without cause by any party upon 30 days' prior written notice to other parties.

During 2017, the Company incurred \$0.5 million for technical and commercial management fees from Eagle Shipping LLC for the two vessels until December 8, 2017. For the period between December 8, 2017 and December 31, 2017, the Company incurred \$0.5 million for technical and commercial management fees to Eagle Bulk Management LLC for 28 vessels. For the period between December 8 and December 31, 2017, the Company incurred \$0.6 million as additional fee allocation as per the overhead sharing agreement. As of December 31, 2017, the Company owed \$0.8 million to Eagle Bulk Management LLC which is included in accounts payable in the consolidated balance sheet.

Additionally, the Company was allocated \$14,825,300 as its share of the total consolidated cash general and administrative expenses of the Parent Company and all of its subsidiaries on the same basis as the new commercial and technical management agreements, as well as the overhead sharing agreement, which was recorded as a capital contribution from the Parent Company in the statement of changes in member's equity for the year ended December 31, 2017.

During 2016, the Company incurred \$0.03 million for technical and commercial management fees to Eagle Shipping LLC for one vessel for the period between November 21, 2016 and December 31, 2016. Additionally, the Company was allocated \$12.8 million as its share of the total consolidated cash general and administrative expenses of the Parent Company and all of its subsidiaries on the same basis as the new commercial and technical management agreements, as well as the overhead sharing agreement, which was recorded as a capital contribution from the Parent Company in the statement of changes in member's equity for the year ended December 31, 2016.

Shipco entered into time charter agreements with Eagle Bulk Pte Ltd, a wholly-owned subsidiary of the Parent Company, where Eagle Bulk Pte Ltd chartered-in the vessels to perform third-party voyages. For the years ended December 31, 2017 and 2016, revenues included \$14.1 million and \$2.1 million, respectively, as internal charter hire income from Eagle Bulk Pte Ltd. As of December 31, 2017 and 2016, accounts receivable included \$41,830 and \$4,736,425, respectively, as charter hire receivable from Eagle Bulk Pte Ltd.

## Note 8. Derivative instruments and Fair value Measurements

### *Forward freight agreements, bunker swaps and freight derivatives*

The Company trades in forward freight agreements (“FFAs”) and bunker swaps, with the objective of utilizing this market as economic hedging instruments that reduce the risk of specific vessels to changes in the freight market. The Company’s FFAs and bunker swaps have not qualified for hedge accounting treatment. As such, unrealized and realized gains are recognized as a component of other expense in the Consolidated Statement of Operations and Other current assets and Fair value of derivatives in the Consolidated Balance Sheets. Derivatives are considered to be Level 2 instruments in the fair value hierarchy.

The effect of non-designated derivative instruments on the consolidated statements of operations:

		<b>Amount of gain/(loss)</b>	
		<b>For the Years Ended</b>	
<b>Derivatives not designated as hedging instruments</b>	<b>Location of gain/(loss) recognized</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
FFAs	Other expense	\$ (44,596)	\$ —
Commissions	Other expense	(74,368)	—
Total		<u>\$ (118,964)</u>	<u>\$ —</u>

<b>Derivatives not designated as hedging instruments</b>	<b>Balance Sheet Location</b>	<b>Fair value of derivatives</b>	
		<b>December 31, 2017</b>	<b>December 31, 2016</b>
FFAs - Unrealized loss	Fair value of Derivatives	\$ (73,170)	\$ —
		<u>\$ (73,170)</u>	<u>\$ —</u>

### *Cash Collateral Disclosures*

The Company does not offset fair value amounts recognized for derivatives by the right to reclaim cash collateral or the obligation to return cash collateral. The amount of collateral to be posted is defined in the terms of respective master agreement executed with counterparties or exchanges and is required when agreed upon threshold limits are exceeded. As of December 31, 2017 and December 31, 2016, the Company posted cash collateral related to derivative instruments under its collateral security arrangements of \$126,837 and zero, respectively, which is recorded within other current assets in the consolidated balance sheets.

### *Fair Value Measurements*

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

*Cash, cash equivalents and restricted cash*-the carrying amounts reported in the consolidated balance sheets for interest-bearing

deposits approximate their fair value due to their short-term nature thereof.

*Debt*-the carrying amounts of borrowings under the Norwegian Bond Debt (prior to application of the discount and debt issuance costs) including the revolving credit agreement approximate their fair value, due to the variable interest rate nature thereof.

The Company defines fair value, establishes a framework for measuring fair value and provides disclosures about fair value measurements. The fair value hierarchy for disclosure of fair value measurements is as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities. Our Level 1 non-derivatives include cash and money-market accounts.

Level 2 - Quoted prices for similar assets and liabilities in active markets or inputs that are observable. Our Level 2 non-derivatives include debt balances under the Norwegian Bond Debt.

Non recurring fair value measurements include vessel impairment assessments which is determined based on the average of two independent third party quotes which are Level 2 inputs. As of December 31, 2017, the Company performed an impairment test on 13 vessels for whom the vessel prices based on valuations received from third party brokers were lower than their carrying values. Based on our impairment analysis, we determined that as of December 31, 2017, the future cash flows expected to be earned by the 13 vessels on an undiscounted basis would exceed their carrying value and therefore no impairment charges were recorded in the consolidated financial statements. As of December 31, 2016, the Company determined that it intended to divest some of the older and less efficient vessels. As a result, the Company recorded an impairment charge of \$98,646,166 in the fourth quarter of 2016. The carrying value of these vessels prior to impairment was \$185,549,476.

Level 3 - Inputs that are unobservable (for example cash flow modeling inputs based on assumptions).

Assets and liabilities measured at fair value:

		Fair Value	
	Carrying Value	Level 1	Level 2
December 31, 2017			
Assets			
Cash and cash equivalents	\$ 7,744,005	\$ 7,744,005	—
Liabilities			
Norwegian Bond Debt *	\$ 193,950,329	—	\$ 200,990,000

\* The fair value of the Norwegian Bonds is based on the last trade on December 21, 2017 on Bloomberg.com.

		Fair Value	
	Carrying Value	Level 1	Level 2
December 31, 2016			
Assets			
Cash and cash equivalents	\$ 2,065,925	\$ 2,065,925	—

## Note 9. Commitments and Contingencies

### Legal Proceedings

The Company is involved in legal proceedings and may become involved in other legal matters arising in the ordinary course of its business. The Company evaluates these legal matters on a case-by-case basis to make a determination as to the impact, if any, on its business, liquidity, results of operations, financial condition or cash flows.



**Note 10. Unconsolidated financial statements (Issuer only)**

**EAGLE BULK SHIPCO LLC (ISSUER ONLY)**  
**UNCONSOLIDATED CONDENSED BALANCE SHEETS**

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>ASSETS:</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 7,391,945	\$ 2,062,946
Prepaid expenses	18,615	—
Other current assets	126,837	—
<b>Total current assets</b>	<b>7,537,397</b>	<b>2,062,946</b>
<b>Noncurrent assets:</b>		
Investment in subsidiaries	380,305,385	376,328,354
Deferred financing costs - Super Senior Revolver Facility	190,000	—
<b>Total noncurrent assets</b>	<b>380,495,385</b>	<b>376,328,354</b>
<b>Total assets</b>	<b>\$ 388,032,782</b>	<b>\$ 378,391,300</b>
<b>LIABILITIES &amp; MEMBER'S EQUITY:</b>		
<b>Current liabilities:</b>		
Accrued interest	\$ 1,566,333	\$ —
Other accrued liabilities	944,000	—
Fair value of derivatives	73,170	—
Current portion of long-term debt - Norwegian Bond Debt	4,000,000	—
<b>Total current liabilities</b>	<b>6,583,503</b>	<b>—</b>
<b>Noncurrent liabilities:</b>		
Norwegian Bond Debt, net of debt discount and debt issuance costs	189,950,329	—
<b>Total noncurrent liabilities</b>	<b>189,950,329</b>	<b>—</b>
<b>Total liabilities</b>	<b>196,533,832</b>	<b>—</b>
Commitment and contingencies		
<b>Member's equity:</b>		
Common shares, zero par value, 100 shares authorized and issued	—	—
Paid-in Capital	365,592,997	551,480,183
Accumulated Deficit	(174,094,047)	(173,088,883)
<b>Total Member's equity</b>	<b>191,498,950</b>	<b>378,391,300</b>
<b>Total liabilities and Member's equity</b>	<b>\$ 388,032,782</b>	<b>\$ 378,391,300</b>

**EAGLE BULK SHIPCO LLC (ISSUER ONLY)**

**UNCONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**

	<b>For the Years Ended</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Interest expense	\$ 1,677,677	\$ —
Other (income)/expense, net	118,964	—
Total other expenses, net	1,796,641	—
Equity in net income /(loss) of subsidiaries	791,477	(140,813,117)
Net loss and comprehensive loss	<u>\$ (1,005,164)</u>	<u>\$ (140,813,117)</u>

## EAGLE BULK SHIPCO LLC (ISSUER ONLY)

### UNCONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	For the Years Ended	
	December 31, 2017	December 31, 2016
<b>Net cash provided by operating activities</b>	\$ 600,231	\$ —
<b>Cash flows from investing activities:</b>		
Vessel purchases and improvements	(18,246,428)	(19,675,309)
Advance for purchase of vessel	—	(1,926,886)
Dividends received / (capital contribution) from/(to) subsidiaries	29,094,696	(6,989,522)
<b>Net cash provided by/ (used in) investing activities</b>	<b>10,848,268</b>	<b>(28,591,717)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from the Norwegian Bond Debt, net of discount	198,092,000	—
Other financing costs	(3,499,014)	—
Return of capital to the Parent Company	(223,458,914)	—
Capital contribution from the Parent Company	22,746,428	30,654,663
<b>Net cash provided by financing activities</b>	<b>(6,119,500)</b>	<b>30,654,663</b>
Net increase in cash and cash equivalents	5,328,999	2,062,946
Cash and cash equivalents at beginning of year	2,062,946	—
<b>Cash and cash equivalents at end of year</b>	<b>\$ 7,391,945</b>	<b>\$ 2,062,946</b>
<b>Supplemental cash flow information:</b>		
Cash paid during the period for interest	—	—

## Notes to the Unconsolidated Condensed Financial Statements

### Basis of Presentation

In the Issuer-only condensed financial statements, Eagle Bulk Shipco LLC investment in subsidiaries is accounted for under the equity method of accounting. The paid-in capital represents capital contribution by Eagle Bulk Shipping Inc. ("Parent Company").

### Note 11. Subsequent Events

On March 23, 2018, the Company signed a memorandum of agreement to sell the vessel Thrush for \$10.9 million after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Company expects to recognize a gain of \$0.4 million.

The Company has evaluated all subsequent events through April 27, 2018, the date the financial statements were available to be issued, to ensure that the financial statements include appropriate recognition and disclosure of such events. As of April 27, 2018, there are no subsequent events to be recognized or disclosed, other than as disclosed herein, based on the Company's evaluation.

**APPENDIX 3:**  
**VALUATION REPORT**

## CERTIFICATE OF VALUATION

Date: 5<sup>th</sup> January 2018

To: Eagle Bulk Shipco LLC  
c/o Eagle Shipping Int. (USA) LLC  
300 First Stamford Place  
Stamford, CT 06902  
United States of America

Dear Sirs,

With reference to your request for valuations of the below vessels, please find hereunder our assessment of the vessels' values as at 29<sup>th</sup> December 2017 charterfree. We have examined the current entries in the appropriate Reference Books of the below list of vessels:

- MV "SINGAPORE EAGLE" – about 63,386 tdw, built Chengxi Shipyard, China 2017
- MV "STAMFORD EAGLE" – about 61,530 tdw, built Nantong COSCO KHI, China 2016
- MV "ORIOLE" – about 57,809 tdw, built Yangzhou Dayang Shipbuilding, China 2011
- MV "OWL" – about 57,809 tdw, built Yangzhou Dayang Shipbuilding, China 2011
- MV "PETREL BULKER" – about 57,809 tdw, built Yangzhou Dayang Shipbuilding, China 2011
- MV "PUFFIN BULKER" – about 57,809 tdw, built Yangzhou Dayang Shipbuilding, China 2011
- MV "ROADRUNNER BULKER" – about 57,809 tdw, built Yangzhou Dayang Shipbuilding, China 2011
- MV "SANDPIPER BULKER" – about 57,809 tdw, built Yangzhou Dayang Shipbuilding, China 2011
- MV "THRUSH" – about 53,297 tdw, built Yangzhou Dayang Shipbuilding, China 2011
- MV "CRANE" – about 57,809 tdw, built Yangzhou Dayang Shipbuilding, China 2010
- MV "EGRET BULKER" – about 57,809 tdw, built Yangzhou Dayang Shipbuilding, China 2010
- MV "THRASHER" – about 53,360 tdw, built Yangzhou Dayang Shipbuilding, China 2010
- MV "BITTERN" – about 57,809 tdw, built Yangzhou Dayang Shipbuilding, China 2009
- MV "CANARY" – about 57,809 tdw, built Yangzhou Dayang Shipbuilding, China 2009
- MV "CRESTED EAGLE" – about 55,989 tdw, built IHI Corp., Japan 2009
- MV "STELLAR EAGLE" – about 55,989 tdw, built IHI Corp., Japan 2009
- MV "CROWNED EAGLE" – about 55,940 tdw, built IHI Corp., Japan 2008
- MV "CARDINAL" – about 55,362 tdw, built Oshima Shipbuilding, Japan 2004
- MV "JAEGER" – about 52,248 tdw, built Tsuneishi HI (Cebu), Philippines 2004
- MV "KESTREL I" – about 50,326 tdw, built Kawasaki HI, Japan 2004
- MV "SHRIKE" – about 53,343 tdw, built Toyohashi Shipbuilding, Japan 2003

- MV "SKUA" – about 53,530 tdw, built Toyohashi Shipbuilding, Japan 2003
- MV "TERN" – about 50,200 tdw, built Mitsui Eng and Shipbuilding, Japan 2003
- MV "GOLDENEYE" – about 52,421 tdw, built Tsuneishi Corp., Japan 2002
- MV "OSPREY I" – about 50,206 tdw, built Mitsui Eng and Shipbuilding, Japan 2002
- MV "CONDOR" – about 50,296 tdw, built Mitsui Eng and Shipbuilding, Japan 2001
- MV "HAWK I" – about 50,296 tdw, built Mitsui Eng and Shipbuilding, Japan 2001
- MV "MERLIN" – about 50,296 tdw, built Mitsui Eng and Shipbuilding, Japan 2001

**Enbloc Price U.S. \$ 351,750,000.00**

**(Say: United States Dollars Three Hundred Fifty One Million Seven Hundred and Fifty Thousand)**

We should make it clear that we have not made a physical inspection of the vessels, nor have we inspected the vessels' classification records, but we have assumed for the purposes of the valuations, that the vessels are in good and seaworthy condition.

After careful consideration, we are of the opinion that the charterfree market values of the above vessels as at 29<sup>th</sup> December 2017 between willing Buyers and willing Sellers basis deliveries in an acceptable area, free of encumbrances, maritime liens and any other debts whatsoever. The figures mentioned above relate solely to our opinion of the market values of the above vessels as at 29<sup>th</sup> December 2017 and should not be taken to apply at any other date. The vessels have been valued individually. If all, or a substantial number, of the vessels were placed on the market at the same time, no assurance can be given that the amount realised would be equal to the total of the individual valuations. In addition no assurance can be given that the valuations will be sustained or are realisable in an actual transaction.

We believe that the above valuations and particulars are reasonably accurate, but all statements made above are statements of opinion and are not to be taken as representations of fact. The valuations are for general information and have not been produced for any specific purpose. No assurance is given as to the suitability of the valuations for use in relation any specific project or transaction. Any party contemplating entering a transaction should satisfy themselves by inspection of the vessels or otherwise as to the correctness of the statements and assumptions which the valuations contain.

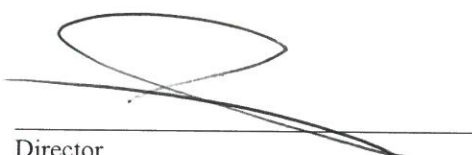
The valuations are provided solely for the private use of the addressee and cannot be published, circulated or provided to any third party without the express written agreement of Braemar ACM Valuations Limited. No responsibility can be accepted for any use by any third party and you will indemnify Braemar ACM Valuations Limited and all associated companies for any loss or damage including all legal expenses arising out of any allegation of reliance on this valuation by such a third party.

Additionally the valuations are not to be used in a public document or a fund-raising document without our prior written consent.

It must be appreciated that ship values can be very volatile, unstable and irregular. Information on comparable transactions and market demand can also be very limited. These circumstances should be considered by anyone contemplating entering a transaction.

For and on behalf of  
BRAEMAR ACM VALUATIONS LIMITED

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director