

Denne melding til obligasjonseierne er kun utarbeidet på engelsk. For informasjon på norsk - vennligst kontakt Nordic Trustee AS

To the bondholders in:

ISIN: NO 0010810054 - Borealis Finance LLC Senior Secured Callable Bond Issue 2017/2022 (the “Bond Issue”)

Oslo, 25 May 2020

Important notice: Due to the outbreak of the corona virus Covid-19 bondholders are encouraged to abstain from appearing in person at the bondholder meeting, and instead to participate by proxy as described below. The Issuer may be prevented from arranging the meeting as a physical meeting. Bondholders should note that additional information on proceedings of the meeting may be given on short notice and announced on the Issuer's profile on www.stamdata.no and the Issuer's website.

Summons to Bondholders' Meeting

Nordic Trustee AS (the “**Bond Trustee**”) is the appointed bond trustee for the holders of the bonds (the “**Bondholders**”) in the above mentioned Bond Issue issued by Borealis Finance LLC (the “**Issuer**”).

The information in this summons and its appendices regarding the Issuer and the conditions in the markets where the Issuer operates have been provided by the Issuer. The Bond Trustee expressly disclaims any liability whatsoever related to such information. Bondholders are encouraged to read this summons in its entirety.

All capitalized terms used but not defined herein shall have the meaning assigned to them in the bond terms for the Bond Issue made between the Bond Trustee (on behalf of the Bondholders) and the Issuer on 14 November 2017 (as amended from time to time, the “**Bond Terms**”). References to clauses and paragraphs are references to clauses and paragraphs in the Bond Terms.

1. Background

The global Covid-19 outbreak and subsequent global government action to shut down social and economic activity has led to a sudden and severe impact on employment levels, industrial activity and consumer spending behaviour. This significant reduction in international trade of consumer and industrial goods has translated into a rapid evaporation of demand for containerized shipping volumes. The Issuer's fleet weighted average charter rate at current market levels is down around 30% since December 2019 and will severely impact the Issuer's liquidity and financial position.

Thus, the Issuer is approaching the Bondholders with a request for certain amendments to the Bond Terms, pursuant to which, inter alia, (i) the final maturity date is extended for a period of 18 months, (ii) the Financial Covenants are waived/adjusted for a period until 31 December 2021, and (iii) the Issuer Group is permitted to use the disposal proceeds from the sale of two Vessels for general corporate purposes, provided that an equal amount of cash equity is injected into the Issuer. The terms and conditions for the requested amendments to the Bond Terms are set out and described in further detail in section 2 below.

For further information about the Issuer, its business and financials, please see the presentation published by the Issuer on <https://newsweb.oslobors.no/> together with this summons.

2. Proposal

Based on the above, the investor presentation dated 25 May 2020 (attached to the press release from the Issuer made public on www.newsweb.oslobors.no) and the further terms and conditions set out herein, the Issuer proposes that the Bond Terms are amended as follows (the “**Proposal**”) from and including the Effective Date (as defined below):

- (a) Extension of the maturity date: The maturity date of the Bonds is extended from 16 November 2022 to 16 May 2024 (the “**New Maturity Date**”).
- (b) Liquidity Covenant (reduction): The requirement for the Minimum Liquidity is reduced to USD 7,500,000 from the USD equivalent of 5% of the Financial Indebtedness of the Issuer Group (excluding Group Loans) to (but excluding) 31 December 2021.
- (c) LTV Covenant waiver: The requirement for the Vessel LTV Ratio to not exceed 75.0% is suspended (waived) to, but excluding, 31 December 2021.
- (d) Distributions: The Issuer shall not, and shall ensure that no other Issuer Group Company will, make any Distributions during the term of the Bonds, other than Distributions made by one Issuer Group Company to another Issuer Group Company.
- (e) Amortisation: The redemption of the Bonds is changed from a bullet repayment at the current maturity date to:
 - (i) repayment in semi-annually instalments of USD 2,000,000 (at 100% of the Nominal Amount of the Bonds to be redeemed) on each Interest Payment Date from (and including) the Interest Payment Date in November 2021 and on each Interest Payment Date thereafter to (but excluding) the New Maturity Date (together with accrued and unpaid interest on the Bonds redeemed), and
 - (ii) repayment of the remaining Outstanding Bonds at a price of 103% of the Nominal Amount on the New Maturity Date.
- (f) Call options: The Issuer may (in addition to the existing Call Option in Clause 10.2 of the Bond Terms) redeem all or parts of the Outstanding Bonds together with accrued and unpaid interest thereon on any Business Day:
 - (i) from and including the Interest Payment Date in November 2022 to (but excluding) the Interest Payment Date in May 2023 at 101% of the Nominal Amount for each redeemed Bond;
 - (ii) from and including the Interest Payment Date in May 2023 to (but excluding) the Interest Payment Date in November 2023 at a price equal to 102% of the Nominal Amount for each redeemed Bond; and
 - (iii) from and including the Interest Payment Date in November 2023 to (but excluding) the New Maturity Date at a price equal to 103% of the Nominal Amount for each redeemed Bond.
- (g) Proceeds from Permitted Disposals: The Issuer is permitted to apply (towards general corporate purposes of the Issuer Group) any amount paid into the Disposal Account following a sale of any two Vessels, *provided* that cash equity is contributed to the Issuer in an amount corresponding (on a 1:1 basis) to any proceeds to be released from the Disposal Account (“**Cash Equity**”).

- (h) Initial cash equity: An initial cash equity contribution of USD 8,000,000 shall be injected into the Issuer as a condition precedent for the Proposal, and be counted towards the Cash Equity.

The amendments to the Bond Terms proposed in (a) – (h) above shall be incorporated in the Bond Terms in the form set out in Appendix 2 through an amendment agreement (the “**Amendment Agreement**”).

3. Amendment Fee

As consideration for the Bondholders' approval of the Proposal, the Issuer offers to pay an amendment fee of 0.50% of the Nominal Amount of all the Outstanding Bonds (to be shared among the Bondholders on a *pro rata* basis) (the “**Amendment Fee**”).

The Amendment Fee is payable 10 Business Days after the Proposal has been accepted by the required majority of Bondholders pursuant to Clause 16 the Bond Terms (with record date on the end of business on the date of the Bondholders' Meeting). The Amendment Fee is payable whether or not the Amendment Agreement is executed and the Effective Date occurs, subject to the Proposal having been approved by the Bondholders' Meeting.

4. Conditions

The amendments to the Bond Terms contemplated by the Proposal (when approved by the Bondholders' Meeting) shall become effective from the date of which the following conditions precedent have, in the Bond Trustee's sole discretion, been satisfied, delivered or waived (the “**Effective Date**”):

- (a) the Bondholders' Meeting has approved the Proposal;
- (b) evidence that cash equity in an amount of USD 8,000,000 has been injected into the Issuer;
- (c) the Amendment Agreement has been duly executed by all parties thereto;
- (d) copies of all necessary corporate resolutions of the Issuer to execute the Amendment Agreement has been received;
- (e) a copy of a power of attorney (unless included in the corporate resolutions) from the Issuer to relevant individuals for their execution of the Amendment Agreement evidencing such individuals' authorisation to execute such Finance Documents on behalf of the Issuer has been received;
- (f) copies of the Issuer's certificate of formation, executed LLC agreement and certificate of good standing evidencing that the Issuer is validly existing;
- (g) the Amendment Fee has been paid to the Bondholders;
- (h) any confirmations or documentation required from the security providers under the Bond Terms (as a consequence of the amended Maturity Date); and
- (i) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Issuer and the legality, validity and enforceability of the Amendment Agreement),

always provided that the Bond Terms will remain unchanged (as if the resolution in the Bondholders' Meeting had not been made) if the conditions precedent for the Effective Date set out above have not been satisfied (or waived by the Bond Trustee, in its sole discretion) 10 Business Days after the Bondholders' Meeting at the latest.

5. The Bond Trustee's disclaimer/non-reliance

The request for acceptance of the Proposal is presented to the Bondholders without further evaluation or recommendations from the Bond Trustee. Nothing herein shall constitute a recommendation to the

Bondholders from the Bond Trustee. The Bondholders must independently evaluate whether the Proposal is acceptable and vote accordingly on the Bondholders' Meeting.

6. Further information

For further information about the Issuer, please visit the Issuer's website <https://borealisfinance.com/>.

The Issuer has engaged DNB Markets (a part of DNB Bank ASA) ("**DNB Markets**") as the Issuer's financial advisor (the "**Advisor**") with respect to the Proposal. Bondholders may contact DNB Markets for further information as follows:

DNB Markets:
Att: Bond Syndicate
Bond.syndicate@dnb.no

The Advisor is acting solely for and relying on information from, the Issuer in connection with the Proposal. No due diligence investigations have been carried out by the Advisor with respect to the Issuer, and the Advisor does not assume any liability in connection with the Proposal (including but not limited to the information contained herein).

7. The Issuer's evaluation

The Issuer is of the opinion that the Proposal constitutes a balanced and fair proposal, which will continue to protect the Bondholders in downside scenarios and reward them for their support thereof. The Issuer has requested the Bond Trustee to summon a Bondholders' Meeting for the Bond Issue to consider the Proposal as set forth in this summons.

8. Bondholders' Meetings:

Bondholders are hereby summoned to Bondholders' Meeting:

Time: 10 June 2020 at 13:00 hours (Oslo time),
Place: The premises of Nordic Trustee AS,
Kronprinsesse Märthas Plass 1, 0160 Oslo - 7th floor

Agenda:

1. Approval of the summons.
2. Approval of the agenda.
3. Election of two persons to co-sign the minutes together with the chairman.
4. Request for adoption of the Proposal

It is proposed that the Bondholders' Meeting resolve the following:

"The Proposal and the proposed amendments to the Bond Terms as set out and defined in Appendix 2 (Proposal) to the summons to this Bondholders' Meeting is approved, subject to the conditions set out in section 4 of these summons.

The Bond Trustee is authorised to enter into the Amendment Agreement and any other agreements, notices, arrangements or other documentation as it deems necessary or desirable to effect the Proposal in its sole discretion in accordance with the decisions made by the Bondholders' Meeting."

To approve the Proposal through the above resolution (the “**Resolution**”), Bondholders representing at least 2/3 of the Voting Bonds represented in person or by proxy at the Bondholders Meeting must vote in favour of the Resolution. In order to have a quorum, at least 5/10 of the Voting Bonds must be represented at the meeting. If the Resolution is not adopted, the Bond Terms will remain unchanged.

Please find attached a Bondholder’s form from the CSD (“**VPS**”), reflecting your holding of Bonds on record at the date set forth thereon. The form will serve as proof of your ownership of Bonds and of your voting rights at the Bondholders’ Meeting. (If the Bonds are held in custody - i.e. the owner is not registered directly in the VPS - the custodian must confirm; (i) the identity of the owner of the Bonds, (ii) the aggregate nominal amount of the Bonds and (iii) the account number in VPS on which the Bonds are registered.)

The individual Bondholder may authorise the Bond Trustee to vote on its behalf, in which case the Bondholder’s form also serves as a proxy. A duly signed Bondholder’s form, authorising the Bond Trustee to vote, must then be returned to the Bond Trustee before the relevant Bondholders’ Meeting is scheduled (by scanned e-mail, telefax or post – please see page 1 hereof for further details).

At the Bondholders’ Meeting votes may be cast based on Bonds held at close of business on the day prior to the date of the Bondholders’ Meeting. In the event that Bonds have been transferred to a new owner after the Bondholder’s form was distributed, the new Bondholder must bring to the Bondholders’ Meeting or enclose with the proxy, as the case may be, evidence which the Bond Trustee accepts as sufficient proof of the ownership of the Bonds.

For practical purposes, we request those who intend to attend the Bondholders’ Meeting, either in person or by proxy other than to the Bond Trustee, to notify the Bond Trustee by telephone or by e-mail (mail@nordictrustee.com) within 16:00 hours (4 pm) (Oslo time) the Business Day before the Bondholders’ Meeting takes place. Please note that those who intend to register their proxies electronically with VPS must do so within 20:00 hours (8 pm) (Oslo time) the Business Day before the meeting takes place.

Yours sincerely
Nordic Trustee AS



Enclosed: Appendix 1: Bondholder’s form
 Appendix 2: Amendments to the Bond Terms

Appendix 1

Appendix 2

Amendments to the Bond Terms

By accepting the Proposal, the Bondholders accept and instruct the Bond Trustee to enter into an amendment agreement to the Bond Terms including the following amended terms:

- (a) The defined term “Maturity Date” is amended to read as follows:

*“**“Maturity Date”** means 16 May 2024 adjusted according to the Business Day Convention.”*

- (b) The definition of “Minimum Liquidity” is amended to read as follows:

*“**“Minimum Liquidity”** means, in the period to (but excluding) 31 December 2021, Liquidity of no less than USD 7,500,000, thereafter “Minimum Liquidity” shall mean Liquidity of no less than the USD equivalent of 5% of the Financial Indebtedness of the Issuer Group (excluding Group Loans). ”*

- (c) The defined term “Permitted Distribution” is amended to read as follows:

*“**“Permitted Distribution”** means a Distribution by an Issuer Group Company, if such Distribution is made by one Issuer Group Company to another Issuer Group Company.”*

- (d) Clause 10.1 (Redemption of Bonds) is amended to read as follows:

“10.1 Redemption of Bonds

- (a) *The Bonds will be redeemed by the Issuer by way of semi-annual instalments on each Interest Payment Date from (and including) the Interest Payment Date in November 2021 to (but excluding) the Maturity Date, in an amount of USD 2,000,000 at a price equal to 100% of the Nominal Amount (together with accrued and unpaid interest on the Bonds redeemed).*
- (b) *The remaining Outstanding Bonds will be redeemed in full at the Maturity Date at a price of 103% of the Nominal Amount.*
- (c) *Instalment payments will be made pro rata in accordance with the applicable regulations of the CSD.”*

- (e) Clause 10.2 (Voluntary early redemption - Call Option) is amended to read as follows:

“10.2 Voluntary early redemption - Call Option

- (a) *The Issuer may redeem all or part 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 103.875 per cent. of the Nominal Amount for each redeemed Bond;*
- (iii) *Interest Payment Date in November 2020 to, but not including, the Interest Payment Date in May 2021 at a price equal to 103.00 per cent. of the Nominal Amount for each redeemed Bond;*
- (iv) *Interest Payment Date in May 2021 to, but not including, the Interest Payment Date in November 2021 at a price equal to 102.25 per cent. of the Nominal Amount for each redeemed Bond;*
- (v) *Interest Payment Date in November 2021 to, but not including, the Interest Payment Date in May 2022 at a price equal to 101.50 per cent. of the Nominal Amount for each redeemed Bond;*
- (vi) *the Interest Payment Date in May 2022 to, but not including, the Interest Payment Date in November 2022 at a price equal to 100.75 per cent. of the Nominal Amount for each redeemed Bond;*
- (vii) *from and including the Interest Payment Date in November 2022 to (but excluding) the Interest Payment Date in May 2023 at 101.00 per cent. of the Nominal Amount for each redeemed Bond;*
- (viii) *from and including the Interest Payment Date in May 2023 to (but excluding) the Interest Payment Date in November 2023 at a price equal to 102.00 per cent. of the Nominal Amount for each redeemed Bond; and*
- (ix) *from and including the Interest Payment Date in November 2023 to (but excluding) the New Maturity Date at a price equal to 103.00 per cent. of the Nominal Amount for each redeemed Bond.*

in addition, the Issuer shall pay accrued and unpaid interest on the redeemed Bonds.

- (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.*

- (f) Clause 14.12 (*Disposal Account*) is amended to read as follows:

“14.12 Disposal Account

- (a) *The Issuer shall procure that funds paid into the Disposal Account shall remain pledged and blocked in favour of the Bond Trustee (on behalf of the Bondholders) until they are employed (no later than 24 months thereafter following the relevant Permitted Disposal or Total Loss Event (as the case may be)) as follows:*
- (i) *towards Mandatory Prepayment (subject to a no less than 5 Business Days prior written notice to the Bondholders) until a Vessel LTV Ratio of 35% is reached, after which any remaining funds on the Disposal Account may be released to the Issuer Group; or*
- (ii) *towards financing (in whole or in part) of the acquisition of any replacement assets satisfying the conditions as set out under the definition of Additional Vessels paragraphs (a)-(c) and acquired at Market Value either externally or from another Group Company not being part of the Issuer Group and over which new Security shall be granted, after which any remaining funds on the Disposal Account if less than USD 1,000,000 may be released to the Issuer Group.*
- (b) *Notwithstanding paragraph (a) above, the Issuer is permitted to apply (towards general corporate purposes of the Issuer Group) any amount paid into the Disposal Account following a sale of any two Vessels, provided that cash equity (“**Cash Equity**”) is contributed to the Issuer in an amount equal to any proceeds to be released from the Disposal Account. The initial cash equity contribution of USD 8,000,000 (injected into the Issuer as a condition precedent for the Amendment Agreement) shall be included in the calculation of Cash Equity).*
- (g) Clause 14.13 (*Financial Covenants*) subsection (a) is amended to read as follows:
- “from and including 31 December 2021, ensure that the Vessel LTV Ratio does not exceed 75.00 per cent.”*