

SECURITIES AND EXCHANGE COMMISSION

FORM 20FR12B

Form for initial registration of a class of securities of foreign private issuers pursuant to Section 12(b)

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As filed with the U.S. Securities and Exchange Commission on May 7, 2019.

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended \_\_\_\_\_

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report:

Commission file number:

**FLEX LNG Ltd.**

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

**Bermuda**

(Jurisdiction of incorporation or organization)

**Par-La-Ville Place  
14 Par-La-Ville Road  
Hamilton  
Bermuda**

(Address of principal executive offices)

*With copies to:*

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**One Battery Park Plaza**  
**New York, New York 10004**  
**United States**

Securities registered or to be registered pursuant to section 12(b) of the Act.

Title of each class  
**Ordinary Shares, par value \$0.10 per share**

Name of each exchange on which registered  
**New York Stock Exchange**

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Securities registered or to be registered pursuant to section 12(g) of the Act.

**NONE**  
(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**NONE**  
(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

**As of the date of this registration statement on Form 20-F there were 54,103,993 of the Registrant's ordinary shares outstanding (such number adjusted for the one-for-ten reverse stock split effected on March 7, 2019).**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth Company. See the definitions of "large accelerated filer," "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Emerging growth company   
(Do not check if a smaller reporting company)

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

- U.S. GAAP
- International Financial Reporting Standards as issued by the international Accounting Standards Board
- Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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## TABLE OF CONTENTS

	<u>Page</u>	
PART I		
ITEM 1.	IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	1
ITEM 2.	OFFER STATISTICS AND EXPECTED TIMETABLE	1
ITEM 3.	KEY INFORMATION	1
ITEM 4.	INFORMATION ON THE COMPANY	25
ITEM 4A.	UNRESOLVED STAFF COMMENTS	43
ITEM 5.	OPERATING AND FINANCIAL REVIEW AND PROSPECTS	43
ITEM 6.	DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	54
ITEM 7.	MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	59
ITEM 8.	FINANCIAL INFORMATION	60
ITEM 9.	THE OFFER AND LISTING	61
ITEM 10.	ADDITIONAL INFORMATION	62
ITEM 11.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	75
ITEM 12.	DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	77
PART II		
ITEM 13.	DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	77
ITEM 14.	MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE	77
ITEM 15.	CONTROLS AND PROCEDURES	77
ITEM 16.	RESERVED	77
ITEM 16A.	AUDIT COMMITTEE FINANCIAL EXPERT.	77
ITEM 16B.	CODE OF ETHICS	77
ITEM 16C.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	77
ITEM 16D.	EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	77
ITEM 16E.	PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED	78
ITEM 16F.	CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT	78
ITEM 16G.	CORPORATE GOVERNANCE	78
PART III		
ITEM 17.	FINANCIAL STATEMENTS	78
ITEM 18.	FINANCIAL STATEMENTS	78
ITEM 19.	EXHIBITS	78

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this registration statement pertaining to our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business, include forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," "seeks," "targets," "potential," "continue," "contemplate," "possible," "likely," "might," "will," "would," "could," "projects," "forecasts," "may," "should" and similar expressions are forward-looking statements.

All statements in this registration statement that are not statements of either historical or current facts are forward-looking statements. Forward-looking statements include, but are not limited to, such matters as:

- our future operating or financial results;
- global and regional economic and political conditions;
- our pending vessel acquisitions, our business strategy and expected capital spending or operating expenses, including dry-docking and insurance costs;
- statements about LNG market trends, including charter rates and factors affecting supply and demand;
- our financial condition and liquidity, including our ability to repay our indebtedness and obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities;
- our ability to enter into time charters or other employment arrangements for our vessels after our current charters expire and our ability to earn income in the spot market (which includes vessel employment under single voyage spot charters and time charters with an initial term of less than six months);
- our ability to successfully employ our newbuilding vessels;
- our expectations of the availability of vessels to purchase, the time it may take to construct new vessels, and vessels' useful lives;
- risks associated with vessel construction;
- estimated future maintenance and replacement capital expenditures;
- changes in operating expenses, including dry-docking and insurance costs and bunker prices;
- the expected cost of, and our ability to comply with, governmental regulations, maritime self-regulatory organization standards, as well as standard regulations imposed by our charterers applicable to our business;
- availability of and ability to maintain skilled labor, vessel crews and management;
- our anticipated incremental general and administrative expenses as a publicly traded company;
- customers' increasing emphasis on environmental and safety concerns;
- potential disruption of shipping routes due to accidents, political events, piracy or acts by terrorists; and
- our ability to maintain relationships with major LNG producers and traders.

Many of these statements are based on our assumptions about factors that are beyond our ability to control or predict and are subject to risks and uncertainties that are described more fully in "Item 3. Key Information—D. Risk Factors." Any of these factors or a combination of these factors could materially affect our future results of operations and the ultimate accuracy of the forward-looking statements. Factors that might cause future results to differ include, but are not limited to, the following:

- changes in governmental rules and regulations or actions taken by regulatory authorities;
- changes in economic and competitive conditions affecting our business, including market fluctuations in charter rates and charterers' abilities to perform under existing time charters;
- potential liability from future litigation and potential costs due to environmental damage and vessel collisions;
- the length and number of off-hire periods; and
- other factors discussed in "Item 3. Key Information—D. Risk Factors" in this registration statement.

You should not place undue reliance on forward-looking statements contained in this registration statement because they are statements about events that are not certain to occur as described or at all. All forward-looking statements in this registration statement are qualified in their entirety by the cautionary statements contained in this registration statement. These forward-looking statements are not guarantees of our future performance, and actual results and future developments may vary materially from those projected in the forward-looking statements.

Except to the extent required by applicable law or regulation, we undertake no obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this registration statement or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the effect of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

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## EXPLANATORY NOTE AND PRESENTATION OF OUR FINANCIAL DATA

Unless otherwise indicated, the terms "FLEX LNG," "we," "us," "our," the "Company" and the "Group" refer to FLEX LNG Ltd. and its consolidated subsidiaries.

We use the term "LNG" to refer to liquefied natural gas, and we use the term "cbm" to refer to cubic meters in describing the carrying capacity of the vessels in our fleet. Unless otherwise indicated, all references to "U.S. dollars," "USD," "dollars," "US\$" and "\$" in this registration statement are to the lawful currency of the United States of America, references to "Norwegian Kroner," and "NOK" are to the lawful currency of Norway and references to "Great British Pounds," and "GBP" are to the lawful currency of the United Kingdom.

The consolidated financial statements included in this registration statement as of and for the years ended December 31, 2018 and 2017 have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America, or U.S. GAAP.

References in this registration statement to ordinary shares are adjusted to reflect a one-for-ten reverse stock split, which became effective as of March 7, 2019.

### IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

We had less than \$1.07 billion in revenue during our last fiscal year, which means that we are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act, or JOBS Act. As an emerging growth company, we may take advantage of specified reduced public company reporting requirements that are otherwise applicable generally to public companies, including:

- the ability to present only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations in the registration statement for our initial public offering;
- an exemption from the auditor attestation requirement of management's assessment of the effectiveness of our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act; and
- an exemption from compliance with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and financial statements.

We may choose to take advantage of some or all of these reduced reporting requirements. We may take advantage of these provisions until the end of the fiscal year following the fifth anniversary of the date we first sell our common equity securities pursuant to an effective registration statement under the Securities Act of 1933, as amended, or the Securities Act, or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if we have more than \$1.07 billion in "total annual gross revenues" during our most recently completed fiscal year, if we become a "large accelerated filer" with a public float of more than \$700 million, or as of any date on which we have issued more than \$1.0 billion in non-convertible debt over the three-year period prior to such date. For as long as we take advantage of the reduced reporting obligations, the information that we provide shareholders may be different from information provided by other public companies.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

## PART I

### ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

#### A. Directors and Senior Management

The following table sets forth information regarding our current directors and executive officers, including the Chief Executive Officer and the Chief Financial Officer of our wholly owned subsidiary Flex LNG Management AS who are responsible for overseeing the management of the Company.

Name <sup>(1)</sup>	Position
David McManus	Director of the Company and Chairman of the Board of Directors
Marius Hermansen	Director of the Company
Ola Lorentzon	Director of the Company
Nikolai Grigoriev	Director of the Company and Chairperson of the Audit Committee
Oystein M. Kalleklev	Chief Executive Officer of Flex LNG Management AS and Principal Executive Officer of FLEX LNG Ltd.
Harald Gurvin	Chief Financial Officer of Flex LNG Management AS and Principal Financial Officer of FLEX LNG Ltd.

<sup>(1)</sup> The business address of each of our directors and executive officers listed above is Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton, Bermuda.

#### B. Advisers

Our U.S. legal counsel is Seward & Kissel LLP, One Battery Park Plaza, New York, New York, 10004. Our Bermuda legal counsel is MJM Limited, Hamilton, Bermuda.

#### C. Auditors

Our auditors are Ernst & Young AS, Thormøhlens gate 53 D, NO-5008 Bergen, P.O. Box 6163 Postterminalen, NO-5892 Bergen, Norway. Ernst & Young AS is an independent registered public accounting firm registered with the Public Company Accounting Oversight Board.

### ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

### ITEM 3. KEY INFORMATION

#### A. Selected Financial Data

The following selected historical financial information should be read in conjunction with our audited consolidated financial statements and related notes, which are included herein, together with "Item 5. Operating and Financial Review and Prospects." In addition, see "Explanatory Note and Presentation of Our Financial Data" for further details on the presentation of the financial statements. Our historical results are not necessarily indicative of our future results.

The following table presents, in each case for the periods and as of the dates indicated, the selected historical financial and operating data of FLEX LNG, which have been derived from audited consolidated financial statements as of and for the years ended December 31, 2018 and 2017 contained in this registration statement. The audited consolidated financial statements as of and for the years ended December 31, 2018 and 2017 have been prepared in accordance with U.S. GAAP.

*(In thousands of U.S. dollars, except per share data)*

	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>STATEMENT OF INCOME</b>		
Vessel operating revenues	77,209	27,329
Vessel operating costs	(26,161)	(36,532)
Administrative expenses	(4,639)	(3,409)
Depreciation	(17,412)	(2)
Income/(loss) from operations	<u>28,997</u>	<u>(12,614)</u>
Finance income	607	123
Finance cost	(17,781)	(234)
Other financial items	(54)	2,334
Income/(loss) before taxes	<u>11,769</u>	<u>(10,391)</u>
Income tax expense/(credit)	(10)	17
Net income/(loss)	<u><u>11,779</u></u>	<u><u>(10,408)</u></u>
Earnings/(loss) per share, basic and diluted	\$ 0.29	\$ (0.34)

<b>CASH FLOW DATA</b>		
Net cash provided by/(used in) operating activities	35,714	(17,752)
Net cash used in investing activities	(584,433)	(77,714)
Net cash provided by financing activities	593,855	103,988
Net increase in cash and cash equivalents	45,136	8,522

*(In thousands of U.S. dollars except common share data)*

	<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>BALANCE SHEET DATA</b>		
Total current assets	60,425	17,570
Total assets	1,294,386	684,510
Total long term debt	431,602	160,000
Total current liabilities	35,460	4,409
Total liabilities	467,062	164,409
Number of shares outstanding	54,099,929	36,797,238
Total equity	827,324	520,101

## B. Capitalization and Indebtedness

The following table sets forth our capitalization as of December 31, 2018. The financial data included herein has been prepared in accordance with U.S. GAAP. This table should be read in conjunction with "Item 5. Operating and Financial Review and Prospects" and the audited consolidated financial statements and other information provided in this registration statement.

	As of December 31, 2018
<b>(In thousands of U.S. dollars)</b>	
Debt (long-term, including short-term portion)	\$ 454,967
Other current liabilities	12,095
<b>Total debt and other current liabilities</b>	<b>\$ 467,062</b>
<b>Total shareholders' equity</b>	<b>\$ 827,324</b>
<b>Total capitalization</b>	<b>\$ 1,294,386</b>

## C. Reasons for the offer and use of Proceeds

Not applicable.

## D. Risk Factors

The following summarizes the risks that may materially affect our business, financial condition or results of operations. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or the trading price of our securities.

### Risks Related to Our Industry

*Charter hire rates for LNG vessels are volatile and may decrease in the future, which may adversely affect our earnings, revenue and profitability and our ability to comply with our loan covenants.*

Substantially all of our revenues are derived from a single market, the LNG carrier segment, and therefore our financial results depend on chartering activities and developments in this segment. The LNG shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The LNG charter market, from which we derive and plan to continue to derive our revenues, has only recently begun to recover after experiencing a prolonged period of historically low rates. The degree of charter hire rate volatility among different types of LNG vessels has varied widely, and time charter and spot market rates for LNG vessels have in the recent past declined below operating costs of vessels.

Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the major commodities carried on water internationally. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in charter rates are also unpredictable. A significant decrease in charter rates would also affect asset values and adversely affect our profitability, cash flows and our ability to pay dividends, if any.

Furthermore, a significant decrease in charter rates would cause asset values to decline and we may have to record an impairment charge in our consolidated financial statements which could adversely affect our financial results.

Factors that may influence demand for vessel capacity include:

- supply of and demand for LNG;
- changes in the exploration or production of LNG;
- the location of regional and global exploration, production and manufacturing facilities;

- the location of consuming regions for LNG;
- the globalization of production and manufacturing;
- global and regional economic and political conditions, including armed conflicts and terrorist activities, embargoes and strikes;
- disruptions and developments in international trade;
- changes in seaborne and other transportation patterns, including the distance LNG is transported by sea;
- environmental and other regulatory developments;
- currency exchange rates; and
- the weather.

Demand for our LNG vessels is dependent upon economic growth in the world's economies, seasonal and regional changes in demand, changes in the capacity of the global LNG fleet and the sources and supply of LNG transported by sea. The capacity of the global LNG vessels fleet seems likely to increase and economic growth may not resume in areas that have experienced a recession or continue in other areas. As such, adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

Factors that may influence the supply of vessel capacity include:

- number of newbuilding orders and deliveries;
- the number of shipyards and ability of shipyards to deliver vessels;
- port and canal congestion;
- scrapping of older vessels;
- speed of vessel operation;
- vessel casualties; and
- number of vessels that are out of service or laid up.

In addition to the prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance costs, insurance coverage costs, the efficiency and age profile of the existing LNG fleet in the market, and government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions.

***Global economic conditions may negatively impact the LNG shipping industry.***

As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it can be negatively affected by decline in available credit facilities. Any weakening in global economic conditions may have a number of adverse consequences for LNG and other shipping sectors, including, among other things:

- low charter rates, particularly for vessels employed in the spot market (which includes vessel employment under single voyage spot charters and time charters with an initial term of less than six months);
- decreases in the market value of LNG vessels and limited second-hand market for the sale of vessels;
- limited financing for vessels;
- widespread loan covenant defaults; and
- declaration of bankruptcy by certain vessel operators, vessel owners, shipyards and charterers.

The occurrence of one or more of these events could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

***We are dependent on spot charters and any decrease in spot charter rates in the future may adversely affect our earnings.***

We operate several of our vessels in the spot market, exposing us to fluctuations in spot market charter rates. The number of vessels that we employ in the spot market will vary from time to time and we may also employ any additional vessels that we acquire or take delivery of in the spot market. As a result, our financial performance may be significantly affected by conditions in the LNG spot market and only our vessels that operate under fixed-rate time charters (if any) may, during the period such vessels operate under such time charters, provide a fixed source of revenue to us.

Historically, the LNG market has been volatile as a result of the many conditions and factors that can affect the price, supply of and demand for LNG capacity. Weak global economic trends may further reduce demand for transportation of LNG cargoes over longer distances, which may materially affect our revenues, profitability and cash flows. The spot charter market may fluctuate significantly based upon supply of and demand of vessels and cargoes. The successful operation of our vessels in the competitive spot charter market depends upon, among other things, obtaining profitable spot charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. The spot market is volatile, and, in the past, there have been periods when spot rates have declined below the operating cost of vessels. If future spot charter rates decline, then we may be unable to operate our vessels trading in the spot market profitably, or meet our obligations, including payments on indebtedness. Furthermore, as charter rates for spot charters are fixed for a single voyage, which may last up to several weeks during periods in which spot charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

***We may not be able to obtain debt financing on acceptable terms, which may negatively impact our business.***

The ability to obtain money from the credit markets has become more difficult as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. Due to these factors, we cannot be certain that financing will be available if needed and to the extent required, on acceptable terms. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

***Risks involved with operating ocean-going vessels could affect our business and reputation, which could have a material adverse effect on our results of operations and financial condition.***

The operation of an ocean-going vessel carries inherent risks. These risks include the possibility of:

- a marine disaster,
- terrorism,

- environmental accidents,
- cargo and property losses and damage, and
- business interruptions caused by mechanical failure, human error, war, terrorism, piracy, political action in various countries, labor strikes, or adverse weather conditions.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable LNG operator.

***World events could affect our operations and financial results.***

Past terrorist attacks, as well as the threat of future terrorist attacks around the world, continue to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. Moreover, we operate in a sector of the economy that is likely to be adversely impacted by the effects of political conflicts, including geopolitical events and other international hostilities. Further, continuing conflicts, instability and other recent developments in the Middle East and elsewhere, and the presence of armed forces in Iraq, Afghanistan and Syria, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. Any of these occurrences could have a material adverse impact on our business, financial condition and results of operations.

***We face risks attendant to changes in economic and regulatory conditions around the world.***

We face risks attendant to changes in economic environments, changes in interest rates, instability in the banking and securities markets and trade regulation around the world, among other factors. Major market disruptions and adverse changes in market conditions and regulatory climate in China, the United States, the European Union, or the EU, and worldwide may adversely affect our business or impair our ability to borrow amounts under credit facilities or any future financial arrangements.

Additionally, a further economic slowdown in the Asia-Pacific region, especially in China, could negatively affect global economic markets and the market for LNG shipping. Chinese LNG imports have accounted for the majority of global LNG transportation growth annually over the last years, with recent demand growth driven by stronger LNG imports to China. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. Although the growth rate of China's GDP for the year ended December 31, 2018, was 6.6%, down from a growth rate of 6.9% for the year ended December 31, 2017, it still remains well below pre-2008 levels. China and other countries in the Asia Pacific region may continue to experience slowed or even negative economic growth in the future. Our financial condition and results of operations, as well as our future prospects, would likely be hindered by a continuing or worsening economic downturn in any of these countries or geographic regions.

Over the past several years, the credit markets in the United States and Europe have remained contracted, deleveraged and less liquid, and the U.S. federal and state governments and European authorities have implemented governmental action and/or new regulation of the financial markets and may implement additional regulations in the future. Global financial markets have been, and continue to be, disrupted and volatile. Potential adverse developments in the outlook for the United States or European countries, or market perceptions concerning these and related issues, could reduce the overall demand for LNG cargoes and for our service, which could negatively affect our financial position, results of operations and cash flow.

Further, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. In particular, leaders in the United States have indicated the United States may seek to implement more protective trade measures. President Trump was elected on a platform promoting trade protectionism. The results of the presidential election have thus created significant uncertainty about the future relationship between the United States, China and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs. For example, on January 23, 2017, President Trump signed an executive order withdrawing the United States from the Trans-Pacific Partnership, a global trade agreement intended to include the United States, Canada, Mexico, Peru and a number of Asian countries. In March 2018, President Trump announced tariffs on imported steel and aluminum into the United States that could have a negative impact on international trade generally. Protectionist developments, or the perception they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade.

While global economic conditions have generally improved, renewed adverse and developing economic and governmental factors, together with the concurrent volatility in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition and cash flows and could cause the price of our ordinary shares to decline. An extended period of deterioration in the outlook for the world economy could reduce the overall demand for our services and could also adversely affect our ability to obtain financing on acceptable terms or at all.

***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 our business, financial condition and results of operations.***

The Chinese economy differs from the economies of western countries in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, bank regulation, currency and monetary policy, rate of inflation and balance of payments position. Prior to 1978, the Chinese economy was a "planned economy." Since 1978, increasing emphasis has been placed on the utilization of market forces in the development of the Chinese economy. Annual and five-year state plans are adopted by the Chinese government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through State Plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a "market economy" and enterprise reform. Limited price reforms were undertaken with the result that prices for certain commodities are principally determined by market forces. In addition, economic reforms may include reforms to the banking and credit sector and may produce a shift away from the export-driven growth model that has characterized the Chinese economy over the past few decades. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. The level of imports to and exports from China could be adversely affected by the failure to continue market reforms or changes to existing pro-export economic policies. The level of imports to and exports from China may also be adversely affected by changes in political, economic and social conditions (including a slowing of economic growth) or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions, internal political instability, changes in currency policies, changes in trade policies and territorial or trade disputes. A decrease in the level of imports to China could adversely affect our business, operating results and financial condition.

***While we do not currently, we may conduct a substantial amount of business in China. The legal system in China has inherent uncertainties that could have a material adverse effect on our business, financial condition and results of operations.***

The Chinese legal system is based on written statutes and their legal interpretation by the Standing Committee of the National People's Congress. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, there is a general lack of internal guidelines or authoritative interpretive guidance and because of the limited number of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. Changes in laws and regulations, including with regards to tax matters, and their implementation by local authorities could affect our vessels that could be chartered to Chinese customers or that call to Chinese ports and could have a material adverse effect on our business, results of operations and financial condition.

***Acts of piracy on ocean-going vessels could adversely affect our business.***

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia. Sea piracy incidents continue to occur, increasingly on the West Coast of Africa. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping. The perception that our vessels are potential piracy or terrorist targets could have a material adverse impact on our business, financial condition and results of operations.



Further, if these piracy attacks occur in regions in which our vessels are deployed that insurers characterize as "war risk" zones or by the Joint War Committee as "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain, if available at all. In addition, crew costs, including costs that may be incurred to the extent we employ on-board security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows, financial condition and may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

***Our vessels may call on ports located in countries that are subject to restrictions imposed by the U.S. or other governments, which could adversely affect our reputation and the market for our ordinary shares.***

While none of our vessels have called on ports in violation of U.S. sanctions and we intend to comply with all applicable sanctions and embargo laws and regulations, our vessels may call on ports located in countries subject to sanctions and embargos from time to time on charterers' instructions in the future, and there can be no assurance that we will maintain such compliance, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. The sanctions and embargo laws and regulations of the United States and other applicable jurisdictions vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. The European Union and other countries also impose sanctions that apply to natural and legal persons falling within the jurisdictional scope of the respective sanctions regime. These other sanctions regimes vary in their scope and, like U.S. sanctions, may be amended or strengthened over time.

Current or future counterparties of ours may be affiliated with persons or entities that are or may be in the future the subject of sanctions imposed by the U.S. administration, the EU, and/or other international bodies as a result of, among other things, the snap-back of Iran-related sanctions and sanctions related to the annexation of Crimea by Russia in March 2014. If we determine that such sanctions require us to terminate existing or future contracts to which we or our subsidiaries are party or if we are found to be in violation of such applicable sanctions, our results of operations may be adversely affected or we may suffer reputational harm. Currently, we do not believe that any of our existing counterparties are affiliated with persons or entities that are subject to such sanctions.

Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we or our charterers will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. and other capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our ordinary shares may adversely affect the price at which our ordinary shares trade. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into charters with individuals or entities in countries subject to U.S. sanctions and embargo laws that are not controlled by the governments of those countries, or engaging in operations associated with those countries pursuant to contracts with third parties that are unrelated to those countries or entities controlled by their governments. Investor perception of the value of our ordinary shares may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

***Compliance with safety and other vessel requirements imposed by classification societies may be costly and could reduce our net cash flows and net income.***

The hull and machinery of every commercial vessel must be certified as being "in class" by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention.

A vessel must undergo annual surveys, intermediate surveys, dry-dockings and special surveys. In lieu of a special survey, a vessel's machinery may be placed on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. We expect our vessels to be on special survey cycles for hull inspection and continuous survey cycles for machinery inspection.

Every vessel is also required to be dry-docked every five years for inspection of the underwater parts of the vessel. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, dry-docking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

Compliance with the above requirements may result in significant expense. If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

***The LNG shipping industry is subject to substantial environmental and other regulations, which may significantly limit our operations or increase our expenses.***

The LNG shipping industry is subject to substantial environmental and other regulations, which may significantly limit our operations or increase our expenses.

Our operations are materially affected by extensive and changing international, national, state and local environmental laws, regulations, treaties, conventions and standards which are in force in international waters, or in the jurisdictional waters of the countries in which our ships operate and in the countries in which our ships are registered. These requirements include those relating to equipping and operating ships, providing security and minimizing or addressing impacts on the environment from ship operations. We may incur substantial costs in complying with these requirements, including costs for ship modifications and changes in operating procedures. We also could incur substantial costs, including clean-up costs, civil and criminal penalties and sanctions, the suspension or termination of operations and third-party claims as a result of violations of, or liabilities under, such laws and regulations.

In addition, these requirements can affect the resale value or useful lives of our ships, require a reduction in cargo capacity, necessitate ship modifications or operational changes or restrictions or lead to decreased availability of insurance coverage for environmental matters. They could further result in the denial of access to certain jurisdictional waters or ports or detention in certain ports. We are required to obtain governmental approvals and permits to operate our ships. Delays in obtaining such governmental approvals may increase our expenses, and the terms and conditions of such approvals could materially and adversely affect our operations.

Additional laws and regulations may be adopted that could limit our ability to do business or increase our operating costs, which could materially and adversely affect our business. For example, new or amended legislation relating to ship recycling, sewage systems, emission control (including emissions of greenhouse gases and other pollutants) as well as ballast water treatment and ballast water handling may be adopted. The United States has recently enacted ballast water management system legislation and regulations that require more stringent controls of air and water emissions from ocean-going ships. Such legislation or regulations may require additional capital expenditures or operating expenses (such as increased costs for low-sulfur fuel) in order for us to maintain our ships' compliance with international and/or national regulations. We also may become subject to additional laws and regulations if we enter new markets or trades.

We also believe that the heightened environmental, quality and security concerns of insurance underwriters, regulators and charterers will generally lead to additional regulatory requirements, including enhanced risk assessment and security requirements, as well as greater inspection and safety requirements on all LNG carriers in the marine transportation market. These requirements are likely to add incremental costs to our operations, and the failure to comply with these requirements may affect the ability of our ships to obtain and, possibly, recover from, insurance policies or to obtain the required certificates for entry into the different ports where we operate.

Some environmental laws and regulations, such as the U.S. Oil Pollution Act of 1990, or "OPA", provide for potentially unlimited joint, several and strict liability for owners, operators and demise or bareboat charterers for oil pollution and related damages. OPA applies to discharges of any oil from a ship in U.S. waters, including discharges of fuel and lubricants from an LNG carrier, even if the ships do not carry oil as cargo. In addition, many states in the United States bordering a navigable waterway have enacted legislation providing for potentially unlimited strict liability without regard to fault for the discharge of pollutants within their waters. We also are subject to other laws and conventions outside the United States that provide for an owner or operator of LNG carriers to bear strict liability for pollution, such as the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocols in 1976, 1984, and 1992, and amended in 2000, or the CLC.

Some of these laws and conventions, including OPA and the CLC, may include limitations on liability. However, the limitations may not be applicable in certain circumstances, such as where a spill is caused by a ship owner's or operator's intentional or reckless conduct. These limitations are also subject to periodic updates and may otherwise be amended in the future.

Compliance with OPA and other environmental laws and regulations also may result in ship owners and operators incurring increased costs for additional maintenance and inspection requirements, the development of contingency arrangements for potential spills, obtaining mandated insurance coverage and meeting financial responsibility requirements.

***Climate change and greenhouse gas restrictions may adversely impact our operations and markets.***

Due to concern over the risk of climate change, a number of countries and the International Maritime Organization, or the IMO, have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. In addition, although the emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, or the Paris Agreement, a new treaty may be adopted in the future that includes restrictions on shipping emissions. Compliance with changes in laws, regulations and obligations relating to climate change could increase our costs related to operating and maintaining our vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions or administer and manage a greenhouse gas emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

Adverse effects upon the oil and gas production industry relating to climate change, including growing public concern about the environmental impact of climate change, may also adversely affect demand for our services. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil and gas in the future or create greater incentives for use of alternative energy sources. Therefore, any long-term material adverse effect on the oil and gas production industry could have significant financial and operational adverse impacts on our business that we cannot predict with certainty at this time.

***If we fail to comply with international safety regulations, we may be subject to increased liability, which may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.***

The operation of our vessels is affected by the requirements set forth in the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention, or the ISM Code. The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. If we fail to comply with the ISM Code, we may be subject to increased liability, or may invalidate existing insurance or decrease available insurance coverage for our affected vessels, and such failure may result in a denial of access to, or detention in, certain ports.

***Regulations relating to ballast water discharge coming into effect during September 2019 may adversely affect our revenues and profitability.***

The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the International Oil Pollution Prevention,

or IOPP renewal survey, existing vessels constructed before September 8, 2017 must comply with the updated D-2 standard on or after September 8, 2019. For most vessels, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ships constructed on or after September 8, 2017 are to comply with the D-2 standards on or after September 8, 2017. All our vessels comply with the updated guideline.

Furthermore, United States regulations are currently changing. Although the 2013 Vessel General Permit, or VGP, program and U.S. National Invasive Species Act, or NISA, are currently in effect to regulate ballast discharge, exchange and installation, the Vessel Incidental Discharge Act, or VIDA, which was signed into law on December 4, 2018, requires that the U.S. Coast Guard develop implementation, compliance, and enforcement regulations regarding ballast water within two years. The new regulations could require the installation of new equipment, which may cause us to incur substantial costs.

***Maritime claimants could arrest one or more of our vessels, which could interrupt our cash flow.***

Crew members, 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 debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by "arresting" or "attaching" a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could result in a significant loss of earnings for the related off-hire period. In addition, in jurisdictions where the "sister ship" theory of liability applies, such as South Africa, a claimant may arrest the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. In countries with "sister ship" liability laws, claims might be asserted against us or any of our vessels for liabilities of other vessels that we own.

***The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.***

Our vessels may call in ports where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims or restrictions which could have an adverse effect on our business, financial condition, results of operations and cash flows.

***Governments could requisition our vessels during a period of war or emergency resulting in a loss of earnings.***

A government of a vessel's registry could requisition for title or seize one or more of our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. A government could also requisition one or more of our vessels for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels could have a material adverse effect on our business, results of operations, cash flows and financial condition.

## **Risks Related to Our Business**

***The fair market values of our vessels may decline, which could limit the amount of funds that we can borrow, cause us to breach certain financial covenants in our credit facilities, or result in an impairment charge, and cause us to incur a loss if we sell vessels following a decline in their market value.***

The fair market values of LNG vessels, including our vessels, have generally experienced high volatility and may decline in the future. The fair market value of our vessels may continue to fluctuate depending on but not limited to the following factors:

- general economic and market conditions affecting the shipping industry;
- competition from other shipping companies;
- types and sizes of vessels;
- the availability of other modes of transportations;
- cost of newbuildings;
- shipyard capacity;
- governmental or other regulations;

- age of vessels;
- prevailing level of charter rates;
- the need to upgrade secondhand and previously owned vessels as a result of charterer requirements; and
- technological advances in vessel design or equipment or otherwise.

During the period a vessel is subject to a charter, we might not be permitted to sell it to take advantage of increases in vessel values without the charterer's consent. If we sell a vessel at a time when ship prices have fallen, the sale may be at less than the vessel's carrying amount in our financial statements, with the result that we could incur a loss and a reduction in earnings. The carrying values of our vessels are reviewed whenever events or changes in circumstances indicate that the carrying amount of the vessel may no longer be recoverable. We assess recoverability of the carrying value by estimating the future net cash flows expected to result from the vessel, including eventual disposal. If the future net undiscounted cash flows and the estimated fair market value of the vessel are less than the carrying value, an impairment loss is recorded equal to the difference between the vessel's carrying value and fair value. Any impairment charges incurred as a result of declines in charter rates and other market deterioration could negatively affect our business, financial condition or operating results or the trading price of our ordinary shares.

In addition, if we determine at any time that a vessel's future useful life and earnings require us to impair its value in our financial statements, this would result in a charge against our earnings and a reduction of our shareholders' equity. If the fair market values of our vessels decline, we may not be in compliance with certain covenants contained in our financing agreements, which may result in an event of default. In such circumstances, we may not be able to refinance our debt or obtain additional financing acceptable to us or at all. Further, if we are not able to comply with the covenants in our financing agreements, and are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our fleet.

Conversely, if vessel values are elevated at a time when we wish to acquire additional vessels, the cost of acquisition may increase and this could adversely affect our business, results of operations, cash flow and financial condition.

***We may require additional capital in the future, which may not be available on favorable terms, or at all.***

Depending on many factors, including market developments, our future earnings, value of our assets and expenditures for any new projects, we may need additional funds. We cannot guarantee that we will be able to obtain additional financing at all or on terms acceptable to us. If adequate funds are not available, we may have to reduce expenditures for investments in new and existing projects, which could hinder our growth, prevent us from realizing potential revenues from prior investments and have a negative impact on our cash flows and results of operations.

***We are highly leveraged, which could significantly limit our ability to execute our business strategy and has increased the risk of default under our debt obligations.***

As of December 31, 2018, we had approximately \$455.0 million of net outstanding long-term indebtedness under our credit facilities. We cannot assure you that we will be able to generate cash flow in amounts that is sufficient to satisfy these obligations. If we are not able to satisfy these obligations, we may have to undertake alternative financing plans or sell our assets. In addition, debt service payments under our financing agreements may limit funds otherwise available for working capital, capital expenditures, payment of cash distributions and other purposes. If we are unable to meet our debt obligations, or if we otherwise default under our financing agreements, our lenders could declare the debt, together with accrued interest and fees, to be immediately due and payable and foreclose on our fleet, which could result in the acceleration of other indebtedness that we may have at such time and the commencement of similar foreclosure proceedings by other lenders.

Our financing agreements impose operating and financial restrictions on us that limit our ability or the ability of our subsidiaries party thereto, as applicable, to:

- pay dividends and make capital expenditures;
- incur additional indebtedness, including the issuance of guarantees;
- create liens on our assets;
- change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to each vessel;
- sell our vessels;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; or
- enter into a new line of business.

In addition, our financing agreements, which are secured by liens on our vessels, contain various financial covenants. Among those covenants are requirements that relate to our financial position, operating performance and liquidity. For example, there are financial covenants that require us to maintain (i) an equity ratio fixing a minimum value of book equity, (ii) minimum levels of free cash, (iii) positive working capital, and (iv) a minimum value, or loan-to-value, covenant, which could require us to post collateral or prepay a portion of the outstanding borrowings should the value of the vessels securing borrowings decrease below a required level. Some of our financing agreements also include financial covenants at the subsidiary level, requiring the relevant subsidiary to maintain (i) minimum levels of free cash and (ii) positive working capital.

The market value of LNG vessels is likewise sensitive to, among other things, changes in the LNG market, with vessel values deteriorating in times when LNG rates are falling or anticipated to fall and improving when charter rates are rising or anticipated to rise. Such conditions may result in us not being in compliance with the covenants under our financing agreements. In such a situation, unless our lenders are willing to provide further waivers of covenant compliance or modifications to our covenants, or would be willing to refinance our indebtedness, we may have to sell vessels in our fleet and/or seek to raise additional capital in the equity markets in order to comply with the covenants under our financing agreements. Furthermore, if the value of our vessels deteriorates significantly, we may have to record an impairment adjustment in our financial statements, which would adversely affect our financial results and further hinder our ability to raise capital. The fair market values of our vessels may decline, which could limit the amount of funds that we can borrow, cause us to breach certain financial covenants in our financing agreements, or result in an impairment charge, and cause us to incur a loss if we sell vessels following a decline in their market value.

If we are not in compliance with our covenants and are not able to obtain covenant waivers or modifications, our lenders could require us to post additional collateral, enhance our equity and liquidity, increase our interest payments, pay down our indebtedness to a level where we are in compliance with the covenants under our financing agreements, sell vessels in our fleet, or they could accelerate our indebtedness, any of which would impair our ability to continue to conduct our business. If our indebtedness is accelerated, we might not be able to refinance our debt or obtain additional financing and could lose our vessels if our lenders foreclose on their liens. In addition, if we find it necessary to sell our vessels at a time when vessel prices are low, we will recognize losses and a reduction in our earnings, which could affect our ability to raise additional capital necessary for us to comply with our loan agreements.

***Our operating fleet consists of four LNG vessels from which we derive all of our revenue and cash flow. Any limitation in the availability or operation of these vessels could have a material adverse effect on our business, results of operations and financial condition.***

Our operating fleet consists of four LNG carriers, while nine vessels are currently under construction. Although some of our time charter agreements have fixed terms, they may be terminated early due to certain events, such as a charterer's failure to make charter payments to us because of financial inability, disagreements with us or otherwise. The ability of each of our counterparties to perform its obligations under a charter with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the LNG shipping industry, prevailing prices for natural gas and the overall financial condition of the counterparty. Should a counterparty fail to honor its obligations under an agreement with us, we may be unable to realize revenue under that charter and could sustain losses, which could have a material adverse effect on our business, financial condition, results of operations and ability to pay dividends to our shareholders.

If any of our vessels are unable to generate revenues as a result of off-hire time, early termination of the applicable time charter or otherwise, our business, and results of operations financial condition could be materially adversely affected.

***We may be unable to successfully compete with other vessel operators for charters, which could adversely affect our results of operations and financial position.***

The operation of LNG vessels and transportation of LNG cargoes is extremely competitive. Competition for the transportation of LNG cargoes by sea is intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Through our operating subsidiaries, we compete with other vessel owners, and, to a lesser extent, owners of other size vessels. The LNG market is highly fragmented. Due in part to the highly fragmented market, competitors with greater resources could enter the LNG shipping industry and operate larger fleets through consolidations or acquisitions and may be able to offer lower charter rates than we are able to offer. Although we believe that no single competitor has a dominant position in the markets in which we compete, we are aware that certain competitors may be able to devote greater financial and other resources to their activities than we can, resulting in a significant competitive threat to us. As a result, we cannot assure you that we will be successful in finding continued timely employment of our existing vessels.

***Our results of operations are subject to seasonal fluctuations, which may adversely affect our financial condition.***

We operate our LNG vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. The LNG sector is typically stronger in the fall and winter months in anticipation of increased consumption of LNG in the northern hemisphere. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. This seasonality may result in quarter-to-quarter volatility in our revenues and operating results, which could affect our ability to pay dividends, if any, in the future.

***A drop in spot charter rates may provide an incentive for some charterers to default on their charters.***

When we enter into a time charter or bareboat charter, charter rates under that charter may be fixed for the term of the charter. If the spot charter rates or short-term time charter rates in the LNG shipping industry become significantly lower than the time charter equivalent rates that some of our charterers are obligated to pay us under our existing charters, the charterers may have incentive to default under that charter or attempt to renegotiate the charter. If our charterers fail to pay their obligations, we would have to attempt to re-charter our vessels at lower charter rates, which would affect our ability to comply with the covenants under our financing agreements and operate our vessels profitably. If we are not able to comply with the covenants under our financing agreements and our lenders choose to accelerate our indebtedness and foreclose their liens, we could be required to sell vessels in our fleet and our ability to continue to conduct our business would be impaired.

***Our fixed rate time charters may limit our ability to benefit from any improvement in charter rates, and at the same time, our revenues may be adversely affected if we do not successfully employ our vessels on the expiration of our charters.***

Fixed rate time charters generally provide more reliable revenues, they also limit the portion of our fleet available for spot market voyages during an upswing in the LNG industry cycle, when spot market voyages might be more profitable. By the same token, we cannot assure you that we will be able to successfully employ our vessels in the future or renew our existing charters at rates sufficient to allow us to operate our business profitably or meet our obligations. A decline in charter or spot rates or a failure to successfully charter our vessels could have a material adverse effect on our business, financial condition and results of operations.



***We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.***

We have entered, and may enter in the future, into various contracts, including charter parties with our customers, financing agreements with our lenders (including lease financing agreements), vessel management agreements, newbuilding contracts, vessel acquisition agreements and other agreements with other entities, which subject us to counterparty risks. The ability of each of the counterparties to perform its obligations under a contract with us or contracts entered into on our behalf will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the shipping sector, the overall financial condition of the counterparty, charter rates received for our vessels and the supply and demand for commodities. Should a counterparty fail to honor its obligations under any such contract, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Charterers are sensitive to the commodity markets and may be impacted by market forces affecting commodities. In addition, in depressed market conditions, charterers may have incentive to renegotiate their charters or default on their obligations under charters. Should a charterer in the future fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure on the spot market or on charters may be at lower rates, depending on the then existing charter rate levels, compared to the rates currently being charged for our vessels. In addition, if the charterer of a vessel in our fleet that is used as collateral under one or more of our financing agreements defaults on its charter obligations to us, such default may constitute an event of default under the relevant financing agreement, which may allow the lenders to exercise remedies under the financing agreement. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations, cash flows and compliance with covenants in our financing agreements.

***Newbuilding projects are subject to risks that could cause delays, cost overruns or cancellation of the agreements with the shipyards or our agreements to acquire the newbuildings from related entities.***

As of the date of this registration statement, we have agreed to acquire from entities related to Geveran Trading Co. Limited, or Geveran, our major shareholder, nine newbuilding LNG vessels that are currently under construction at Daewoo Shipbuilding and Marine Engineering Co. Ltd., or DSME, and Hyundai Samho Heavy Industries Co. Ltd., or HSHI, for an aggregate purchase price of \$1,646 million, of which we have paid \$421.0 million and the remaining \$1,225 million is due on delivery. These Newbuilding Vessels (defined in "Item 4. Information on the Company – A. History and Development of the Company") are expected to be delivered to us between the second quarter of 2019 and the second quarter of 2021. While we have available borrowings of \$270 million under our \$270 Million Revolving Credit Facility (defined in "Item 4. Information on the Company – A. History and Development of the Company – Share Issuances and Financing Transactions"), and have secured financing, subject to the satisfaction of customary closing conditions, for part of the remaining purchase price relating to the Newbuilding Vessels, *Flex Constellation* and *Flex Courageous*, under our \$250 Million Credit Facility (defined in "Item 4. Information on the Company – A. History and Development of the Company – Share Issuances and Financing Transactions"), we are currently in the process of arranging financing to fund the balance of the purchase price for the remaining Newbuilding Vessels in our Fleet. We can provide no assurances that we will be able to secure such financing on terms acceptable to us or at all. If we default under the agreements to acquire newbuildings with the sellers we may be subject to legal claims for the unpaid amounts we are obligated to pay and we may not take delivery of the applicable Newbuilding Vessels. In addition, if the sellers default under their agreements with the shipyards, we may be unable to take delivery of some or all of the Newbuilding Vessels and we may lose all or part of the purchase price that we have already paid. Construction projects are subject to risks of delay or cost overruns inherent in any large construction project from numerous factors, including shortages of equipment, materials or skilled labor, unscheduled delays in the delivery of ordered materials and equipment or shipyard construction, failure of equipment to meet quality and/or performance standards, financial or operating difficulties experienced by equipment vendors or the shipyard, unanticipated actual or purported change orders, inability to obtain required permits or approvals, unanticipated cost increases between order and delivery, design or engineering changes and work stoppages and other labor disputes, adverse weather conditions or any other events of force majeure. Significant cost overruns or delays could adversely affect our financial position, results of operations and cash flows. Additionally, failure to complete a project on time may result in the delay of revenue from that vessel.

In addition, in the event the shipyards or the sellers do not perform under the respective contracts and we are unable to enforce the corporate refund guarantees for any reason, we may lose all or part of our investment, which would have an adverse effect on our results of operations, financial condition and cash flows.

***Our ability to obtain additional debt financing may be dependent on the performance of our then existing charterers and their creditworthiness.***

The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional capital resources required to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing at anticipated costs or at all may materially affect our results of operations and our ability to implement our business strategy.

***Our financing arrangements have floating interest rates, which could negatively affect our financial performance as a result of interest rate fluctuations.***

As certain of our current financing agreements have, and our future financing arrangements may have, floating interest rates, typically based on USD London Interbank Offered Rate, or LIBOR, movements in interest rates could negatively affect our financial performance. Furthermore, historically interest in most financing agreements in our industry has been based on published LIBOR rates. Recently, however, there is uncertainty relating to the LIBOR calculation process which may result in the phasing out of LIBOR in the future, and lenders have insisted on provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate. If we are also required to agree to such a provision in future financing agreements, our lending costs could increase significantly, which would have an adverse effect on our profitability, earnings and cash flow.

In order to manage our exposure to interest rate fluctuations, we may from time to time use interest rate derivatives to effectively fix some of our floating rate debt obligations. No assurance can however be given that the use of these derivative instruments, if any, may effectively protect us from adverse interest rate movements. The use of interest rate derivatives may affect our results through mark to market valuation of these derivatives. Also, adverse movements in interest rate derivatives may require us to post cash as collateral, which may impact our free cash position.

***Geveran may be able to exercise significant influence over us and may have conflicts of interest with our other shareholders.***

As of the date of this registration statement, Geveran, a Cyprus-based company indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family, and certain of its related entities, may be deemed to beneficially own approximately 44.6% of our issued and outstanding shares. For so long as Geveran owns a significant percentage of our issued and outstanding shares, it may be able to exercise significant influence over us and will be able to strongly influence the outcome of shareholder votes on other matters, including the adoption or amendment of provisions in our Memorandum of Continuance or Bye-Laws and approval of possible mergers, amalgamations, control transactions and other significant corporate transactions. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, merger, amalgamations, consolidation, takeover or other business combination. This concentration of ownership could also discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which could in turn have an adverse effect on the market price of our ordinary shares. Geveran may not necessarily act in accordance with the best interests of other shareholders. The interests of Geveran may not coincide with the interests of other holders of our ordinary shares. To the extent that conflicts of interest may arise, Geveran may vote in a manner adverse to us or to you or other holders of our securities.

***Certain of our directors, executive officers and major shareholders may have interests that are different from the interests of our other shareholders.***

Certain of our directors, executive officers and major shareholders may have interests that are different from, or are in addition to, the interests of our other shareholders. In particular, Geveran, a Cyprus-based company indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family, and certain of its related entities, may be deemed to beneficially own approximately 44.6% of our issued and outstanding ordinary shares.

In addition, certain of our directors, including Mr. Lorentzon and Mr. Hermansen, also serve on the boards of one or more entities in which Geveran or entities related to Geveran are major shareholders, including but not limited to, Golden Ocean Group Limited (NASDAQ:GOGL), Frontline Ltd. (NYSE:FRO), and Avance Gas Holding Ltd. (OSE:AVANCE). There may be real or apparent conflicts of interest with respect to matters affecting Geveran or entities related to Geveran that in certain circumstances may be adverse to our interests.

To the extent that we do business with or compete with Geveran or entities related to Geveran for business opportunities, prospects or financial resources, or participate in ventures in which Geveran or entities related to Geveran may participate, these directors and officers may face actual or apparent conflicts of interest in connection with decisions that could have different implications for us. These decisions may relate to corporate opportunities, corporate strategies, potential acquisitions of businesses, newbuilding acquisitions, inter-company agreements, the issuance or disposition of securities, the election of new or additional directors and other matters. Such potential conflicts may delay or limit the opportunities available to us, and it is possible that conflicts may be resolved in a manner adverse to us or result in agreements that are less favorable to us than terms that would be obtained in arm's-length negotiations with unaffiliated third-parties.

***We may not be able to manage or implement our growth successfully.***

As of the date of this registration statement, we have entered into agreements to acquire nine newbuilding LNG carriers from entities related to Geveran, our major shareholder. Subject to the covenants in our financing agreements and other contractual restrictions, our current long term intention is to grow our fleet through selective acquisitions and newbuilding of LNG tonnage. Our business plan therefore depends upon our ability to identify and acquire suitable vessels to grow our fleet in the future and successfully employ our vessels.

Growing any business by acquisition and newbuildings presents numerous risks, including undisclosed liabilities and obligations, difficulty obtaining additional qualified personnel and managing relationships with customers and suppliers. In addition, competition from other companies, many of which may have significantly greater financial resources than us, may reduce our acquisition opportunities or cause us to pay higher prices. We cannot assure you that we will be successful in executing our plans to establish and grow our business or that we will not incur significant expenses and losses in connection with these plans. Our failure to effectively identify, purchase, develop and integrate any vessels could impede our ability to establish our operations or implement our growth successfully. Our acquisition growth strategy exposes us to risks that may harm our business, financial condition and operating results, including risks that we may:

- fail to realize anticipated benefits, such as cost savings or cash flow enhancements;
- incur or assume unanticipated liabilities, losses or costs associated with any vessels or businesses acquired, particularly if any vessel we acquire proves not to be in good condition;
- be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet;
- decrease our liquidity by using a significant portion of available cash or borrowing capacity to finance acquisitions;
- significantly increase our interest expense or financial leverage if we incur debt to finance acquisitions; or
- incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

***New vessels may experience initial operational difficulties and unexpected incremental start-up costs.***

New vessels, during their initial period of operation, have the possibility of encountering structural, mechanical and electrical problems as well as unexpected incremental start-up costs. Typically, the purchaser of a newbuilding will receive the benefit of a warranty from the shipyard for newbuildings, but we cannot assure you that any warranty we obtain will be able to resolve any problem with the vessel without additional costs to us and off-hire periods for the vessel. Upon delivery of a newbuild vessel from a shipyard, we may incur operating expenses above the incremental start-up costs typically associated with such a delivery and such expenses may include, among others, additional crew training, consumables and spares.

***Operational risks and damage to our vessels could adversely impact our performance.***

Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather and other acts of God, business interruptions caused by mechanical failures, grounding, fire, explosions and collisions, human error, war, terrorism, piracy, labor strikes, boycotts and other circumstances or events. These hazards may result in death or injury to persons, loss of revenues or property, the payment of ransoms, environmental damage, higher insurance rates, damage to our customer relationships and market disruptions, delay or rerouting.

If our vessels suffer damage, they may need to be repaired at a dry-docking facility. The costs of dry-dock repairs are unpredictable and may be substantial. We may have to pay dry-docking costs that our insurance does not cover at all or in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at dry-docking facilities is sometimes limited and not all dry-docking facilities are conveniently located. We may be unable to find space at a suitable dry-docking facility or our vessels may be forced to travel to a dry-docking facility that is not conveniently located relative to our vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant dry-docking facilities may adversely affect our business and financial condition.

Further, the total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs or loss, which could negatively impact our business, financial condition, results of operations and cash flows.

***We rely on our information systems to conduct our business, and failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.***

The efficient operation of our business, including processing, transmitting and storing electronic and financial information, is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business and results of operations.

***Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and cause disruption of our business.***

International shipping is subject to security and customs inspection and related procedures in countries of origin, destination and trans-shipment points. Under the U.S. Maritime Transportation Security Act of 2002, or MTSA, the United States Coast Guard, or USCG, issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities. These security procedures can result in delays in the loading, offloading or trans-shipment and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, carriers. Future changes to the existing security procedures may be implemented that could affect the LNG sector. These changes have the potential to impose additional financial and legal obligations on carriers and, in certain cases, to render the shipment of certain types of goods uneconomical or impractical. These additional costs could reduce the volume of goods shipped, resulting in a decreased demand for vessels and have a negative effect on our business, revenues and customer relations.

***Failure to comply with the U.S. Foreign Corrupt Practices Act could result in fines, criminal penalties and an adverse effect on our business.***

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and will adopt a code of business conduct and ethics consistent and in compliance with the U.S. Foreign Corrupt Practices Act of 1977, or U.S. Foreign Corrupt Practices Act, and other anti-bribery legislation. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the U.S. Foreign Corrupt Practices 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 our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

***We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.***

We may be, from time to time, involved in various litigation matters. These matters may include, among other things, contract disputes, shareholder litigation, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties, and other litigation that arises in the ordinary course of our business. Although we intend to defend these matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter, and the ultimate outcome of any litigation or the potential costs to resolve them may have a material adverse effect on us. Insurance may not be applicable or sufficient in all cases and/or insurers may not remain solvent which may have a material adverse effect on our financial condition.

***If we do not set aside funds and are unable to borrow or raise funds for vessel replacement at the end of a vessel's useful life, our revenue will decline, which would adversely affect our business, results of operations and financial condition.***

If we do not set aside funds and are unable to borrow or raise funds for vessel replacement, we will be unable to replace the vessels in our fleet upon the expiration of their remaining useful lives. Our cash flows and income are dependent on the revenues earned by the chartering of our vessels. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, results of operations and financial condition would be adversely affected. Any funds set aside for vessel replacement will not be available for cash distributions.

***We may not have adequate insurance to compensate us if our vessels are damaged or lost.***

In the event of a casualty to a vessel or other catastrophic event, we rely on our insurance to pay the insured value of the vessel or the damages incurred. We procure insurance for our fleet against those risks that we believe companies in the shipping industry commonly insure. These insurances include hull and machinery insurance, protection and indemnity insurance, which include environmental damage and pollution insurance coverage, and war risk insurance. We can give no assurance that we will be adequately insured against all risks and we cannot guarantee that any particular claim will be paid, even if we have previously recorded a receivable or revenue in respect of such claim. Our insurance policies may contain deductibles for which we will be responsible and limitations and exclusions, which may increase our costs or lower our revenues.

We cannot assure you that we will be able to obtain adequate insurance coverage for our vessels in the future or renew our existing policies on the same or commercially reasonable terms, or at all. For example, more stringent environmental regulations have in the past led to increased costs for, and in the future may result in the lack of availability of, protection and indemnity insurance against risks of environmental damage or pollution. Any uninsured or underinsured loss could harm our business, results of operations, cash flows and financial condition. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our vessels failing to maintain certification with applicable maritime self-regulatory organizations. Further, we cannot assure you that our insurance policies will cover all losses that we incur, or that disputes over insurance claims will not arise with our insurance carriers. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. In addition, our insurance policies may be subject to limitations and exclusions, which may increase our costs or lower our revenues, thereby possibly having a material adverse effect on our business, results of operations, cash flows and financial condition.

***We may be subject to calls because we obtain some of our insurance through protection and indemnity associations.***

We may be subject to increased premium payments, or calls, if the value of our claim records, the claim records of our fleet managers, and/or the claim records of other members of the protection and indemnity associations through which we receive insurance coverage for tort liability (including pollution-related liability) significantly exceed projected claims. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows and financial condition. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them.

***We are a holding company, and depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations.***

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. Our ability to satisfy our financial obligations in the future depends on our subsidiaries and their ability to distribute funds to us. If we are unable to obtain funds from our subsidiaries, we may not be able to satisfy our financial obligations.

***We are an "emerging growth company", and we cannot be certain that the reduced disclosure and other requirements applicable to emerging growth companies will make our ordinary shares less attractive to investors.***

We are an "emerging growth company", as defined in the Jumpstart Our Business Startups Act, or "JOBS Act", and we may take advantage of certain exemptions from various reporting and other requirements that are applicable to other public companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. Investors may find our ordinary shares and the price of our ordinary shares less attractive because we rely, or may rely, on these exemptions. If some investors find our ordinary shares less attractive as a result, there may be a less active trading market for our ordinary shares and the price of our ordinary shares may be more volatile.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We could remain an emerging growth company until the last day of the fiscal year following the fifth anniversary of the date we first sell our common equity securities pursuant to an effective registration statement under the Securities Act, although a variety of circumstances could cause us to lose that status earlier. For as long as we take advantage of the reduced reporting obligations, the information that we provide to shareholders may be different from information provided by other public companies.

***As a foreign private issuer, we are permitted to, and we will, follow certain home country corporate governance practices in lieu of certain requirements applicable to U.S. issuers. This may afford less protection to holders of our equity shares.***

As a foreign private issuer listed on the New York Stock Exchange, or NYSE, we are permitted to follow certain home country corporate governance practices in lieu of certain NYSE requirements. A foreign private issuer must disclose in its annual reports filed with the SEC, each NYSE requirement with which it does not comply followed by a description of its applicable home country practice. As a company incorporated in Bermuda and which is listed on the NYSE, we may follow our home country practice with respect to, among other things, the composition of our Board of Directors and executive sessions. Unlike the requirements of the NYSE, the corporate governance practice and requirements in Bermuda do not require us to have the majority of our Board of Directors be independent or to hold regular executive sessions where only independent directors shall be present. These and other Bermuda home country practices may afford less protection to holders of our equity shares than would be available to the shareholders of a U.S. corporation.

***If we cease to qualify as a foreign private issuer, we would be required to comply fully with the reporting requirements of the Exchange Act applicable to U.S. domestic issuers, and we would incur significant additional legal, accounting and other expenses that we would not incur as a foreign private issuer.***

As a foreign private issuer, we are exempt from a number of rules and regulations under the Securities Exchange Act of 1934, or the Exchange Act, applicable to U.S. domestic issuers, including the furnishing and content of proxy statements, compliance with the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act applicable to executive officers, directors and principal shareholders. We are required under the Exchange Act to file periodic reports and financial statements with the SEC as less frequently or as promptly as U.S. domestic issuers, and we are not required to disclose in our periodic reports all of the information that U.S. domestic issuers are required to disclose. If we do not qualify as a foreign private issuer, we will be required to comply fully with the reporting requirements of the Exchange Act applicable to U.S. domestic issuers, and we will incur significant additional legal, accounting and other expenses that we would not incur as a foreign private issuer.





***The international nature of our operations may make the outcome of any bankruptcy proceedings difficult to predict.***

We are incorporated under the laws of Bermuda and conduct operations in countries around the world. Consequently, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving us or any of our subsidiaries, bankruptcy laws other than those of the United States could apply. If we become a debtor under U.S. bankruptcy law, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over us and our operations would recognize a U.S. bankruptcy court's jurisdiction if any other bankruptcy court would determine it had jurisdiction.

***Because we are a Bermuda exempted company, our shareholders may have less recourse against us or our directors than shareholders of a U.S. company have against the directors of that U.S. Company.***

Because we are a Bermuda company, the rights of holders of our ordinary shares will be governed by Bermuda law and our memorandum of continuance and bye-laws. The rights of shareholders under Bermuda law may differ from the rights of shareholders in other jurisdictions, including with respect to, among other things, rights related to interested directors, amalgamations, mergers and acquisitions, takeovers, the exculpation and indemnification of directors and shareholder lawsuits.

Among these differences is a Bermuda law provision that permits a company to exempt a director from liability for any negligence, default, or breach of a fiduciary duty except for liability resulting directly from that director's fraud or dishonesty. Our bye-laws provide that no director or officer shall be liable to us or our shareholders unless the director's or officer's liability results from that person's fraud or dishonesty. Our bye-laws also require us to indemnify a director or officer against any losses incurred by that director or officer resulting from their negligence or breach of duty, except where such losses are the result of fraud or dishonesty. Accordingly, we carry directors' and officers' insurance to protect against such a risk.

In addition, under Bermuda law, the directors of a Bermuda company owe their duties to that company and not to the shareholders. Bermuda law does not, generally, permit shareholders of a Bermuda company to bring an action for a wrongdoing against the company or its directors, but rather the company itself is generally the proper plaintiff in an action against the directors for a breach of their fiduciary duties. Moreover, class actions and derivative actions are generally not available to shareholders under Bermuda law. These provisions of Bermuda law and our bye-laws, as well as other provisions not discussed here, may differ from the law of jurisdictions with which shareholders may be more familiar and may substantially limit or prohibit a shareholder's ability to bring suit against our directors or in the name of the company. Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it. However, generally a derivative action will not be permitted where there is an alternative action available that would provide an adequate remedy. Any property or damages recovered by derivative action go to the company, not to the plaintiff shareholders. When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company or that the company be wound up.

It is also worth noting that under Bermuda law, our directors and officers are required to disclose to our Board of Directors any interests they have in any material contract entered into by our company or any of its subsidiaries. Our directors and officers are also required to disclose their material interests in any corporation or other entity which is party to a material contract with our company or any of its subsidiaries. A director who has disclosed his or her interests in accordance with Bermuda law may participate in any meeting of our Board of Directors, and may vote on the approval of a material contract, notwithstanding that he or she has an interest.

***An active and liquid market for our ordinary shares may not develop or be sustained.***

Prior to the effectiveness of this registration statement and successful listing of the ordinary shares on the NYSE, our ordinary shares have traded only on the Oslo Stock Exchange (the "OSE") and there has been no established trading market for those shares in the United States. We have applied to list our ordinary shares on the NYSE and we expect that our ordinary shares will trade on both the NYSE and the OSE. Active, liquid trading markets generally result in lower bid ask spreads and more efficient execution of buy and sell orders for market participants. If an active trading market for our ordinary shares does not develop in the U.S., the price of the ordinary shares may be more volatile and it may be more difficult and time-consuming to complete a transaction in our ordinary shares, which could have an adverse effect on the realized price of the ordinary shares. When our ordinary shares commence trading on the NYSE, we expect the initial listing price of our ordinary shares to be set by the NYSE's designated market makers and will likely be based on the current trading price of our ordinary shares on the OSE. However, we cannot predict the price at which our ordinary shares will trade and cannot guarantee that investors can sell their shares at any particular price. There is no assurance that an active and liquid trading market for our ordinary shares will develop or be sustained in the United States or maintained in Norway.

***Future issuance of shares or other securities may dilute the holdings of shareholders and could materially affect the price of our ordinary shares.***

It is possible that we may in the future decide to offer additional shares or other securities in order to secure financing for new projects, in connection with unanticipated liabilities or expenses or for any other purposes. Any such additional offering could reduce the proportionate ownership and voting interests of holders of our ordinary shares, as well as our earnings per share and our net asset value per share, and any offering by us could have a material adverse effect on the market price of our ordinary shares.

***Because our offices and most of our assets are outside the United States, you may not be able to bring suit against us, or enforce a judgment obtained against us in the United States.***

Our executive offices, administrative activities and assets are located outside the United States. As a result, it may be more difficult for investors to effect service of process within the United States upon us, or to enforce both in the United States and outside the United States judgments against us in any action, including actions predicated upon the civil liability provisions of the federal securities laws of the United States.

***As an exempted company incorporated under Bermuda law with subsidiaries in a Crown dependency and other offshore jurisdictions, our operations may be subject to economic substance requirements.***

On December 5, 2017, following an assessment of the tax policies of various countries by the Code of Conduct Group for Business Taxation of the European Union (the "COCG"), the Council of the European Union approved and published Council conclusions containing a list of non-cooperative jurisdictions for tax purposes (the "Conclusions"). Although at the time not considered "non-cooperative jurisdictions," certain countries, including Bermuda, were listed as having "tax regimes that facilitate offshore structures which attract profits without real economic activity." In connection with the Conclusions, and to avoid being placed on the list of "non-cooperative jurisdictions," the government of Bermuda, among others, committed to addressing COCG proposals relating to economic substance for entities doing business in or through their respective jurisdictions and to pass legislation to implement any appropriate changes by the end of 2018.

The Economic Substance Act 2018 and the Economic Substance Regulations 2018 of Bermuda (the "Economic Substance Act" and the "Economic Substance Regulations", respectively) became operative on December 31, 2018. The Economic Substance Act applies to every registered entity in Bermuda that engages in a relevant activity and requires that every such entity shall maintain a substantial economic presence in Bermuda. A relevant activity for the purposes of the Economic Substance Act is banking business, insurance business, fund management business, financing business, leasing business, headquarters business, shipping business, distribution and service centre business, intellectual property holding business and conducting business as a holding entity, which may include a pure equity holding entity.

The Economic Substance Act provides that a registered entity that carries on a relevant activity complies with economic substance requirements if (a) it is directed and managed in Bermuda, (b) its core income-generating activities (as may be prescribed) are undertaken in Bermuda with respect to the relevant activity, (c) it maintains adequate physical presence in Bermuda, (d) it has adequate full time employees in Bermuda with suitable qualifications and (e) it incurs adequate operating expenditure in Bermuda in relation to the relevant activity.

A registered entity that carries on a relevant activity is obliged under the Economic Substance Act to file a declaration in the prescribed form (the "Declaration") with the Registrar of Companies (the "Registrar") on an annual basis.

The Economic Substance Regulations provide that minimum economic substance requirements shall apply in relation to an entity if the entity is a pure equity holding entity which only holds or manages equity participations, and earns passive income from dividends, distributions, capital gains and other incidental income only. The minimum economic substance requirements include a) compliance with applicable corporate governance requirements set forth in the Bermuda Companies Act 1981 including keeping records of account, books and papers and financial statements and b) submission of an annual economic substance declaration form. Additionally, the Economic Substance Regulations provide that a pure equity holding entity complies with economic substance requirements where it also has adequate employees for holding and managing equity participations, and adequate premises in Bermuda.

Certain of our subsidiaries may be organized in other jurisdictions identified by the COCG based on global standards set by the Organization for Economic Co-operation and Development with the objective of preventing low-tax jurisdictions from attracting profits from certain activities. These jurisdictions may have also enacted economic substance laws and regulations which we may be obligated to comply with. If we fail to comply with our obligations under the Economic Substance Act or any similar law applicable to us in any other jurisdictions, we could be subject to financial penalties and spontaneous disclosure of information to foreign tax officials in related jurisdictions and may be struck from the register of companies in Bermuda or such other jurisdiction. Any of these actions could have a material adverse effect on our business, financial condition and results of operations.

***Bermuda's continued presence on a list of non-cooperative jurisdictions by the European Union could harm our business.***

On March 12, 2019, Bermuda was placed by the EU on its list of non-cooperative jurisdictions for tax purposes due to an issue with Bermuda's economic substance legislation which was not resolved in time for the EU's deadline. At present, the impact of being included on the list of non-cooperative jurisdictions for tax purposes is unclear. While Bermuda has now amended its legislation which the Bermuda Government has stated has addressed this issue and expects to be removed from the list of non-cooperative jurisdictions at the EU's Economic and Financial Affairs Council's next meeting which is scheduled for May 2019, there can be no assurance that Bermuda will be removed from such list. If Bermuda is not removed from the list and sanctions or other financial, tax or regulatory measures were applied by European Member States to countries on the list or further economic substance requirements were imposed by Bermuda, our business could be harmed.

**Tax Risks**

***We may have to pay tax on United States source income, which would reduce our earnings.***

Under the United States Internal Revenue Code of 1986 as amended, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States, may be subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations recently promulgated thereunder.

Although we did not satisfy the requirements to claim this statutory exemption from U.S. federal income taxation for 2018, we expect that we and each of our subsidiaries will qualify for this statutory tax exemption for 2019 and future taxable years. However, there are factual circumstances beyond our control that could cause us to not obtain the benefit of this tax exemption and thereby still become subject to U.S. federal income tax on our U.S. source income. Therefore, we can give no assurances on our tax-exempt status or that of any of our subsidiaries.

If we or our subsidiaries are not entitled to exemption under Section 883 of the Code for any taxable year, we or our subsidiaries could be subject for those years to an effective 4% U.S. federal income tax on the gross shipping income we or our subsidiaries derive during the year that are attributable to the transport of cargoes to or from the United States. The imposition of this tax would have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders. Please see "Item 10. Additional Information—E. Taxation" for further information.

***United States tax authorities could treat us as a "passive foreign investment company", which could have adverse United States federal income tax consequences to U.S. shareholders.***

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income during the taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets during such taxable year produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." U.S. shareholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and expected future method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute "passive income," and the assets that we own and operate in connection with the production of that income do not constitute passive assets.

There is, however, no direct legal authority under the PFIC rules addressing our method of operation. We believe there is substantial legal authority supporting our position consisting of case law and United States Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, we note that there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders will face adverse U.S. tax consequences and certain information reporting requirements. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders), such shareholders would be liable to pay U.S. federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our ordinary shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our ordinary shares. Please see "Item 10. Additional Information—E. Taxation" below for a more comprehensive discussion of the U.S. federal income tax consequences if we were to be treated as a PFIC.

***A change in tax laws in any country in which we operate could adversely affect us.***

Tax laws and regulations are highly complex and subject to interpretation. Consequently, we and our subsidiaries are subject to changing laws, treaties and regulations in and between countries in which we operate. Our tax expense is based on our interpretation of the tax laws in effect at the time the expense was incurred. A change in tax laws, treaties or regulations, or in the interpretation thereof, could result in a materially higher tax expense or a higher effective tax rate on our earnings.

*We may become subject to taxation in Bermuda which would negatively affect our results.*

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by us or by our shareholders in respect of our shares. We have obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until March 31, 2035, be applicable to us or to any of our operations or to our shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by us in respect of real property owned or leased by us in Bermuda. We cannot assure you that a future Minister would honor that assurance, which is not legally binding, or that after such date we would not be subject to any such tax. If we were to become subject to taxation in Bermuda, our results of operations could be adversely affected.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### **A. History and Development of the Company**

FLEX LNG Ltd. is an exempted company incorporated under the laws of Bermuda. We are a growth-oriented owner and commercial operator of fuel efficient, fifth generation LNG carriers. As of April 1, 2019, we own and operate four M-type, Electronically Controlled, Gas Injection ("MEGI") LNG carriers, which we collectively refer to as our "Operating Vessels." In addition, we have agreed to acquire five newbuilding MEGI LNG carriers (of which three vessels are being constructed with full re-liquefaction systems and two with partial re-liquefaction systems) and four Generation X Dual Fuel ("X-DF") LNG carriers, which are scheduled to be delivered to us during 2019, 2020, and 2021. We refer to these newbuildings as our "Newbuilding Vessels," which together with our Operating Vessels, are referred to as our "Fleet." Our business currently focuses on the expansion of our Fleet and execution of our chartering strategy to seek balanced employment for the vessels in our Fleet, including employment for our Newbuilding Vessels upon delivery to us, through actively marketing our vessels in both the term and spot market.

##### *Company Background*

FLEX LNG Ltd. was initially incorporated under the laws of the British Virgin Islands in September 2006. In 2009, we completed our initial public offering of our ordinary shares on the Oslo Axess under the symbol "FLNG." We conducted no material operations until 2013, at which time we entered into contracts for the construction of two newbuilding LNG carriers, the *Flex Ranger* and the *Flex Rainbow*, with Samsung Heavy Industries, or SHI, which were delivered to us in June 2018 and July 2018, respectively. Prior to 2017, we did not have any vessels on the water.

In June 2017, we re-domiciled into Bermuda. In order to strengthen our presence in the LNG carrier market and enhance our operational track record, we chartered-in four LNG carriers in 2017 and subsequently sub-chartered these vessels to several charterers in the LNG shipping market. We re-delivered two of these chartered-in vessels in September and October 2017, respectively, and the remaining two in March 2018.

In July 2017, as part of our strategy to position ourselves for growth, we transferred the listing of our ordinary shares from Oslo Axess to the Oslo Stock Exchange in order to increase our visibility to investors and to facilitate trading liquidity. We also strengthened our executive management team with the additions of Mr. Oystein Kalleklev as Chief Executive Officer of Flex LNG Management AS (our Principal Executive Officer) in August 2018 and Mr. Harald Gurvin as Chief Financial Officer of Flex LNG Management AS (our Principal Financial Officer) in January 2019. Flex LNG Management AS is a wholly-owned subsidiary of ours and is responsible for overseeing our management.

In connection with our fleet expansion, we conducted a series of vessel acquisitions, share issuances and financing transactions, which are further discussed below under "Share Issuances and Financing Transactions" and "—B. Business Overview—Our Fleet."

### *Share Issuances and Financing Transactions*

In 2014, Geveran increased its ownership in our ordinary shares to 43.3% and became obliged to conduct a mandatory offer for our ordinary shares, which resulted in Geveran owning 82% of our outstanding ordinary shares at that time. As of the date of this registration statement, Geveran owns 44.6% of our outstanding ordinary shares.

In February 2017, we completed a Norwegian offering, or the First Norwegian Offering, of an aggregate of 7,243,478 ordinary shares at a subscription price of NOK 115.00 per share for gross proceeds of NOK 833 million (approximately \$100 million, based on the prevailing exchange rate as of February 16, 2017). A portion of the proceeds of the First Norwegian Offering were used to repay certain of our indebtedness.

In March 2017, we issued 7,800,000 of our ordinary shares to Geveran as partial consideration for our acquisition of the *Flex Endeavor* and the *Flex Enterprise*, which we purchased from entities related to Geveran through the novation of the newbuilding contracts for the vessels.

In March 2017, in connection with our acquisition of the shipbuilding contracts for the *Flex Endeavor* and the *Flex Enterprise*, we, through our wholly-owned subsidiary, Flex LNG Fleet Limited, entered into a \$270 million revolving credit facility, or the \$270 Million Revolving Credit Facility, with Sterna Finance Ltd., or Sterna, a company related to Geveran. Under the current terms of the facility, \$270 million will be available until 12 months following delivery of *Flex Courageous*, which is scheduled to be delivered in August 2019. Thereafter \$30 million will be available for working capital until July 1, 2023, unless otherwise agreed. The facility bears interest at LIBOR plus a margin of 3.0% per annum. As of December 31, 2018, the outstanding indebtedness under the facility was \$0.0 million and the full amount of \$270 million is currently available for drawdown.

In May 2017, we completed a Norwegian Offering, or the Second Norwegian Offering, (which, together with the First Norwegian Offering, we refer to as the "2017 Norwegian Offerings"), of an aggregate of 8,947,916 ordinary shares at a subscription price of NOK 120.00 per share for gross proceeds of NOK 1.07 billion (approximately \$125 million, based on the prevailing exchange rate as of May 15, 2017).

In June 2017, we completed a Norwegian Offering of 3,797 ordinary shares at a purchase price of NOK 115.00 per share for gross proceeds of approximately NOK 436,735 (approximately \$51,633, based on the prevailing exchange rate as of June 6, 2017) to shareholders that were not allocated shares in the 2017 Norwegian Offerings or were residents in a jurisdiction that was not able to participate in the 2017 Norwegian Offerings.

In December 2017, we, through three of our vessel owning subsidiaries, entered into a \$315 million secured term loan facility, or the \$315 Million Term Loan Facility, with a syndicate of banks to partially finance the first three vessels in our Fleet, the *Flex Endeavor*, the *Flex Enterprise* and the *Flex Ranger*, which serve as collateral under the facility. In January 2018, we drew down two \$105 million loan tranches under the facility in connection with the delivery of the *Flex Endeavor* and the *Flex Enterprise*. The third \$105 million tranche was utilized in connection with the delivery of the *Flex Ranger* in June 2018. The facility bears interest at LIBOR plus a margin of 2.85% per annum and matures on June 22, 2023. As of December 31, 2018, the net outstanding indebtedness under the facility was \$301.0 million.

In July 2018, we, through our wholly-owned subsidiary, Flex LNG Rainbow Ltd., which owned the *Flex Rainbow*, entered into a sale leaseback transaction, or the *Flex Rainbow* Sale and Leaseback, for the vessel with a Hong Kong-based lessor for a lease period of ten years. The gross sales price under the lease was \$210.0 million, of which \$52.5 million represented advance hire for the ten-year lease period. The bareboat rate payable under the lease has a fixed element, treated as principal repayment, and a variable element based on LIBOR plus a margin of 3.50% per annum on the outstanding under the lease. As of December 31, 2018, the net outstanding under the lease was \$154.0 million.

In October 2018, we completed a Norwegian Offering, or the 2018 Norwegian Offering, of an aggregate of 17,293,894 ordinary shares at a purchase price of NOK 142.50 per share for gross proceeds of approximately NOK 2.5 billion (approximately \$300 million, based on the prevailing exchange rate as of October 15, 2018). The net proceeds of the 2018 Norwegian Offering have been used to fund the advance payment portion of the purchase price of the *Flex Freedom*, *Flex Reliance*, *Flex Resolute*, *Flex Vigilant* and *Flex Volunteer* and for working capital and general corporate purposes. Geveran purchased 5,764,631 shares in the 2018 Norwegian Offering at the subscription price of NOK 142.50 per share.

In April 2019, we, through two of our vessel owning subsidiaries, entered into a \$250 million secured term loan facility, or the \$250 Million Term Loan Facility, with a syndicate of banks to partially finance two of our Newbuilding Vessels, *Flex Constellation* and *Flex Courageous*. The facility remains subject to the satisfaction of customary closing conditions, and is expected to be drawn upon delivery of these vessels from the shipyard, currently scheduled for June and August 2019, respectively. The facility has a term of five years from delivery of the last vessel and will bear interest at LIBOR plus a margin of 2.35% per annum.

In April 2019, we, through two of our vessel owning subsidiaries, entered into sale and time charter agreements for the vessels *Flex Endeavour* and *Flex Enterprise*. Under the agreements, we have agreed to sell the vessels to Triple H No. 3 Ltd. and Triple H No. 4 Ltd., respectively, for a gross consideration of \$210.0 million per vessel, with a net consideration of \$150.0 million per vessel adjusted for a non-amortizing and non-interest bearing seller's credit of \$60.0 million per vessel. *Flex Endeavour* and *Flex Enterprise* are contracted to be chartered back from Hyundai Glovis Co. Ltd. ("Hyundai Glovis") on a time-charter basis to us, through our subsidiaries, for a period of ten years. The transaction remains subject to the satisfaction of customary closing conditions and is expected to close in the third quarter of 2019. The two vessels are currently financed under the \$315 Million Term Loan Facility, and upon closing of the transaction, the existing mortgage loans for the two vessels totaling approximately \$194.0 million will be prepaid.

For further information about our financing agreements, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Our Borrowing Activities."

## Reverse Stock Split

On March 7, 2019, we effected a 1-for-10 reverse stock split of our then-outstanding ordinary shares. The reverse stock split reduced the number of our issued and outstanding ordinary shares from 541,043,903 shares to 54,103,993 shares and affected all issued and outstanding ordinary shares. The number of our authorized ordinary shares was consequently reduced from 100,000,000,000 to 10,000,000,000 and the par value increased from \$0.01 per share to \$0.10 per share. The terms of our ordinary shares were not affected by the reverse stock split. No fractional shares were issued in connection with the reverse stock split. Shareholders of record who would have otherwise been entitled to receive a fractional share as a result of the reverse stock split received a cash payment in lieu thereof. The reverse stock split was completed in order to comply with the initial listing requirements of the NYSE with which we will be required to be in compliance in connection with our proposed listing on the NYSE, discussed below.

## Proposed Listing on the NYSE

We have applied to list our currently issued and outstanding ordinary shares, registered hereby, for trading on the NYSE under the symbol "FLNG" promptly after the effectiveness of this registration statement. Upon the commencement of trading on the NYSE, our ordinary shares may be traded on both the NYSE and the OSE. All of our issued and outstanding ordinary shares will be identified by CUSIP G35947 202 and ISIN BMG 359472021.

## B. Business Overview

### Our Fleet

The following table sets forth additional information about our Fleet as of May 1, 2019:

Vessel Name	Cargo Capacity (cbm)	Propulsion	Year Built	Shipyard(1)	Charter Expiration(5)(6)
<b>Operating Vessels</b>					
<i>Flex Endeavour</i>	173,400	MEGI	2018	DSME	06/26/2019
<i>Flex Enterprise</i>	173,400	MEGI	2018	DSME	03/26/2020(2)
<i>Flex Ranger</i>	174,000	MEGI	2018	SHI	06/07/2020(3)
<i>Flex Rainbow</i>	174,000	MEGI	2018	SHI	10/01/2019(4)

**Newbuilding Vessels**

<i>TBN Flex Constellation</i>	173,400	MEGI	Exp. Jun. 2019	DSME	n/a
<i>TBN Flex Courageous</i>	173,400	MEGI	Exp. Aug.2019	DSME	n/a
<i>TBN Flex Aurora</i>	174,000	X-DF	Exp. Q2 2020	HSHI	n/a
<i>TBN Flex Amber</i>	174,000	X-DF	Exp. Q3 2020	HSHI	n/a
<i>TBN Flex Reliance</i>	173,400	MEGI	Exp. Q3 2020	DSME	n/a
<i>TBN Flex Resolute</i>	173,400	MEGI	Exp. Q3 2020	DSME	n/a
<i>TBN Flex Freedom</i>	173,400	MEGI	Exp. Q4 2020	DSME	n/a
<i>TBN Flex Volunteer</i>	174,000	X-DF	Exp. Q1 2021	HSHI	n/a
<i>TBN Flex Vigilant</i>	174,000	X-DF	Exp. Q2 2021	HSHI	n/a

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- (1) As used in this registration statement, "DSME" means Daewoo Ship building and Marine Engineering Co. Ltd., "SHI" means Samsung Heavy Industries, and "HSHI" means Hyundai Samho Heavy Industries Co. Ltd.
  - (2) The charterer has the option to extend the charter for up to an additional four years, in 12-month periods.
  - (3) The *Flex Ranger* is expected to commence employment under a time charter with Enel Trade S.p.A. on June 7, 2019, for a firm period of 12 months, and the charterer will have the option to extend the charter for an additional 12 months.
  - (4) The charterer has the option to extend the charter for up to an additional two and a half years, in 6 month periods.
  - (5) The time-charter expiration dates are subject to re-delivery windows ranging from 15 to 90 days before or after the expiration date.
  - (6) From time to time, in accordance with industry practice, we pay commissions ranging up to 1.25% of the total daily charter rate under the charters to unaffiliated ship brokers, depending on the number of brokers involved with arranging the charter.



## Fleet Development

In August 2013, we entered into shipbuilding contracts with SHI for the construction of the *Flex Ranger* and the *Flex Rainbow*, which were delivered to us in June 2018 and July 2018, respectively. We partially financed the purchase price of the *Flex Ranger* with borrowings under our \$315 Million Term Loan Facility and the *Flex Rainbow* through the *Flex Rainbow* Sale and Leaseback.

In February 2017, we entered into agreements with Dionyssos Shipping Inc. and Bacchus Shipping Inc., entities related to Geveran, for the acquisition of the newbuilding contracts for two MEGI LNG carriers, *Flex Endeavor* and the *Flex Enterprise*, respectively, which were under construction at DSME. The acquisitions were by way of novation of the respective newbuilding contracts. The vessels were delivered to us in January 2018. As partial consideration for these vessels, we issued 7.8 million new ordinary shares to Geveran. The remaining portion of the purchase price was partly funded with borrowings under our \$315 Million Term Loan Facility.

In May 2017, we entered into agreements with Constellation Inc. and Courageous Inc., entities related to Geveran, for the acquisition of two newbuilding MEGI LNG carriers, *Flex Constellation* and *Flex Courageous*, respectively, for a purchase price of \$180.0 million per vessel. The vessels are currently under construction at DSME pursuant to shipbuilding contracts between DSME and the sellers, who will continue to be responsible for the supervision of the vessels' construction. We have made advance payments of \$36.0 million per vessel to the sellers, representing 20% of the purchase price, with the remaining balance of \$144.0 million per vessel due upon delivery to us. We intend to fund part of the remaining purchase price through borrowings under our \$250 Million Term Loan Facility, which remains subject to the satisfaction of customary closing conditions. The *Flex Constellation* and the *Flex Courageous* are expected to be delivered to us in June 2019 and August 2019, respectively.

In May 2018, we entered into agreements with Sea Aurora Inc. and Sea America Inc., entities related to Geveran, for the acquisition of two newbuilding X-DF LNG carriers, *Flex Aurora* and *Flex Amber*, respectively, for a purchase price of \$184.0 million per vessel. The vessels are currently under construction at HSHI pursuant to shipbuilding contracts between HSHI and the sellers, who will continue to be responsible for the supervision of the vessels' construction. We have made advance payments of \$36.8 million per vessel to the sellers, representing 20% of the purchase price, with the remaining balance of \$147.2 million per vessel due upon the delivery to us. The vessels are scheduled for delivery in in the second and the third quarter of 2020, respectively.

In October 2018, we entered into agreements with Sea Freedom Shipowning Inc., Sea Reliance Inc., Sea Resolute Inc., Vigilant Shipowning Inc., and Volunteer Shipowning Inc., entities related to Geveran, for the acquisition of five newbuilding LNG carriers, the *Flex Freedom*, *Flex Reliance*, *Flex Resolute*, *Flex Vigilant*, and *Flex Volunteer*, respectively, for an aggregate purchase price of \$918.0 million, or \$180.0 million per vessel, with an additional cost of \$6.0 million per vessel for full re-liquefaction systems on three of the vessels. The *Flex Freedom*, *Flex Reliance* and *Flex Resolute* are MEGI LNG carriers under construction at DSME, with two vessels scheduled for delivery in the third quarter of 2020 and the remaining vessel in the fourth quarter of 2020. The *Flex Vigilant* and *Flex Volunteer* are X-DF LNG carriers with expected delivery in first and second quarters of 2021, respectively. The sellers will continue to be responsible for the supervision of the vessels' construction. We made advance payments of \$55.8 million for each of the three MEGI newbuildings and \$54.0 million for each of the two X-DF newbuildings in the fourth quarter of 2018, representing 30% of the purchase price. The remaining balance of \$130.2 million for each of the three MEGI newbuildings and \$126.0 million for each of the two X-DF newbuilding is due upon the delivery of the respective vessels to us. We refer to these vessels as the "October 2018 Newbuildings."

While we have available borrowings of \$270 million under our \$270 Million Revolving Credit Facility, and have entered into our \$250 Million Credit Facility to partly finance the remaining purchase price of the two Newbuilding Vessels, *Flex Constellation* and *Flex Courageous*, we have not yet arranged financing to fund the balance of the purchase price for our remaining Newbuilding Vessels. We can provide no assurances that we will be able to secure such financing on terms acceptable to us or at all.

For information about our financing agreements which we have entered into in connection with the expansion of our Fleet, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources— Our Borrowing Activities."

## Employment of Our Fleet and Our Customers

We actively market the vessels in our Fleet in both the term and spot-market (which includes vessel employment under single voyage spot charters and time charters with an initial term of less than six months) in order to secure optimal employment in the LNG shipping market. The below sets out employment arrangements for our vessels.

In December 2017, we entered into a time charter with Uniper Global Commodities, an international energy company headquartered in Germany, for the employment of the *Flex Endeavor*. The time charter commenced in January 2018 and has a firm period of 15 months plus an optional three-month extension, which has been declared.

In April 2018, we entered into a time charter agreement with Enel Trade S.p.A., or Enel, a multinational power company. The time charter has firm period of 12 months, which Enel has the option to extend for an additional 12 months. The charter is expected to commence during June 2019. We intend to employ the *Flex Ranger* on this charter, but we have the option to nominate a sister vessel for such employment.

In March 2019, we entered into a time charter agreement with an international energy major for the employment of the vessel *Flex Enterprise*. The time charter has a firm period of 12 months, commencing end of first quarter of 2019, and the charterer also has options to extend the charter period up to an additional four years, in 12 month periods.

In January 2019, we entered into a time charter agreement, as later amended, with Clearlake Shipping Pte. Ltd. for the employment of the *Flex Rainbow*. The current 6 month firm period under the agreement commenced beginning of April 2019, and the charterer also has options to extend the charter period up to an additional two and a half years, in 6 month periods.

## Management Structure

### *General Management Agreements*

We have entered into a general management agreement with Flex LNG Bermuda Management Limited, our wholly owned subsidiary, for the provision of management services, which primarily include, among others, general administration, contract management, corporate governance assistance, accounting service and operational support. Flex LNG Bermuda Management Limited has, in turn, subcontracted these services from certain of our other subsidiaries, Flex LNG Management AS and Flex LNG Management Limited. We reimburse Flex LNG Bermuda Management Limited for expenses incurred in connection with providing these services to us, plus a mark-up, which fee is subject to annual review and adjustment. Each of the Company and Flex LNG Bermuda Management Limited may terminate the general management agreement upon twelve months' prior written notice to the other party. In addition, we may terminate the general management agreement with immediate effect upon a breach of the agreement by Flex LNG Bermuda Management Limited that continues for a period of 14 days after the date on which we deliver written notice to Flex LNG Bermuda Management Limited of the breach. For 2018 and 2017, these services were provided by Flex LNG Management AS and Flex LNG Management Limited through general management agreements directly with FLEX LNG Ltd. The total compensation to Flex LNG Management AS for the year ended December 31, 2018 was \$1.4 million (2017: \$0.0 million). The total compensation to Flex LNG Management Limited for the year end December 31, 2018 was \$2.3 million (2017: \$2.5 million).

We have an administrative services agreement with Frontline Management (Bermuda) Limited, or Frontline Management, a related party, under which they provide us with certain administrative support services, for which we pay our allocation of the actual costs they incur on our behalf, plus a margin. Each of the Company and Frontline Management may terminate the administrative services agreement upon twelve months' prior written notice to the other party. In the year ended December 31, 2018, we paid Frontline Management \$0.2 million for these services (2017: \$1.0 million).

Frontline Management also provided newbuilding supervision for the four newbuildings delivered in 2018. For the year ended December 31, 2018, we paid Frontline Management \$1.5 million for these services (2017: \$4.4 million). As of December 31, 2018, we had a receivable of \$1.1 million from Frontline Management (2017: \$0.0 million).

We also have a services agreement with Seatankers Management Co. Ltd., or Seatankers, a related party, under which they provide us with certain advisory and support services, for which we pay our allocation of the actual costs they incur on our behalf, plus a margin. We may terminate the services agreement upon not less than 20 business days' written notice. In the year ended December 31, 2018, we paid Seatankers \$0.6 million for such services (2017: \$0.3 million). As of December 31, 2018, we had a receivable of \$0.7 million from Seatankers (2017: \$0.0 million).



## *Technical Management and Support Services*

We receive technical management supervision and other support services from Frontline Management for our Operating Vessels. These services include technical supervision, purchase of goods and services within the ordinary course of business, insurances, assistance with handling all accidents involving the Operating Vessels and other services relating to our Operating Vessels. Frontline Management may subcontract these services to Frontline Management AS or other associated companies. Frontline Management will provide quarterly invoices for services rendered and in addition receive a monthly payment of \$2,772 for each Operating Vessel. Each of the parties may terminate the contract on three months' notice. The fee is subject to annual review.

## **The Liquefied Natural Gas Industry**

*This section discusses the industry and markets in which we operate. Certain of the information in this section relating to market environment, market developments, growth rates, market trends, industry trends, competition and similar information are estimates based on data compiled by professional organizations, consultants and analysts; in addition to market data from other external and publicly available sources, and our knowledge of the markets. Any forecast information and other forward-looking statements in this market summary are not guarantees of future outcomes and these future outcomes could differ materially from current expectations. Numerous factors could cause or contribute to such differences, including those risks described in "Item 3. Key Information—D. Risk Factors."*

## **Introduction**

The Company's business is marine transportation of LNG, referred to as LNG shipping. The marine transportation is done by means of specialized ships, referred to as LNG carriers, which are vessels built to meet the specialized requirement of the LNG products.

LNG is used as a term to describe the super cool liquid form of natural gases, being a mix of hydrocarbon gasses (mainly methane, but also commonly including varying amounts of other higher alkanes and various other gases). The natural gas can primarily be extracted from oil fields or natural gas fields, but in recent years an increasing amount of gas is being extracted from more challenging and untraditional resource types such as sour gas, tight gas, shale gas, and coalbed methane.

An important source of energy, natural gas is non-toxic, clean-burning and relatively inexpensive. Although predominantly used for electricity generation, heating and cooking, natural gas is also utilized as a chemical feedstock in the industrial sector and, to a lesser extent, as fuel for vehicles. In producing regions with a high natural gas demand, pipelines are constructed when it is economically feasible to transport natural gas in from a wellsite to an end consumer. In end-user regions without access to pipelines, natural gas may be transported on tanker trucks or railway tankers (if by land) or by LNG carriers (if by sea).

LNG is a product that requires processing both at the supplying and at the receiving end of the transportation chain. This is because transportation is only economically feasible when the gas is in a liquid state. Liquefaction of natural gas reduces the volume to 1/600 of the gaseous state and therefore makes it economical for transportation by sea.

At the supply source of the transportation chain, liquefaction is done at specialized liquefaction plants, referred to as "liquefaction trains", where undesired heavy hydrocarbons and non-hydrocarbons are removed from the natural gas before cooling the natural gas to approximately -163 °C (-260 °F) to become liquid at close to atmospheric pressure. Similarly, at the receiving end of the transportation chain, the LNG is regasified to its gaseous state before being distributed to the end-user through pipelines.

LNG shipping is closely related to the liquefaction and regasification processes that take place at either end of the transportation chain. Liquefaction can be done onboard specialized ships (floating liquefaction plants), being a relatively new trend in the LNG business. Regasification onboard Floating Storage Regasification Units ("FSRUs") have also become an important part of the LNG business.

## LNG supply and demand

The volume of LNG shipping amounted to approximately 330 million tonnes in 2018. This volume has been subject to large changes, having increased from approximately 103 million tonnes in 2000. Among the factors that have contributed to this growth, are relatively low gas prices, large new discoveries and developments of natural gas resources, large developments of liquefaction plants to monetize these resources, as well as factors contributing to reducing the cost of importing LNG, such as FSRUs. During this period, there have been large changes both in the supplying (exporting) and consuming (importing) regions for LNG, giving rise to a more complex pattern of seaborne transportation.

Demand for natural gas and LNG is closely correlated with general energy demand, which in turn is closely related to economic growth and development. Factors impacting the demand for natural gas also include environmental awareness (particularly in comparison with coal) and relative price to other energy sources (particularly crude oil). The main rationale for securing access to natural gas has been economics – as natural gas is more cost effective than running power plants on fuel oil. In addition to the economic rationales for substituting other sources of energy with natural gas, the list of operational projects reveal other reasons for wanting access to LNG, including lack of sufficient electricity generation from hydro power plants (e.g. Brazil), large seasonal differences in demand (e.g. Dubai/Kuwait), security of supply and geopolitical considerations (e.g. Lithuania), falling domestic natural gas production (e.g. Egypt), and increased demand for energy, or LNG volumes already contracted on long-term deals (e.g. Indonesia). Also, factors such as the temporary shutdown of nuclear power plants in Japan following the Fukushima disaster in 2011 have impacted LNG demand.

## The LNG carrier Fleet

LNG carriers have been built since 1964. In March 2019, the fleet was made up of approximately 470 LNG carriers (>125,000 cbm) with various cargo and propulsion systems. The orderbook for LNG carriers as of March 2019 for vessels larger than 125,000 cbm stands at approximately 103 vessels. Up to 2010, LNG carriers were generally constructed with steam turbines for propulsion. While these vessels still make up a large part of the fleet, they have a cost disadvantage to modern vessels due to higher fuel consumption. Starting around 2002, owners started building LNG carriers with dual fuel diesel engines or tri fuel diesel engines, making up the bulk of the current modern tonnage. Starting around 2012, engine makers started offering engines with slow speed two stroke engines referred to as MEGI (high pressure) or X-DF (low pressure), being specifically made for ships propelled by gas.

## Rate developments

The majority of the LNG carrier fleet is contracted on long term contracts that link specific exporters to specific importers. This contract structure means that a large part of the LNG shipping business is of a more industrial nature than many other shipping businesses. However, there is also a part of the LNG carrier fleet that is constructed without contract coverage and which serves shorter-term contracts or spot trading.

The spot and short term contract market is influenced by supply and demand imbalances, and may be volatile. The market spiked in 2011/2012 following the Fukushima disaster in Japan, as all Japanese nuclear power plants were temporarily shut down. This caused the demand for natural gas to increase significantly in Asia and LNG prices increased as well. As a result there was a large price differential for LNG between Europe and Asia and the demand for LNG carriers increased with the flow of LNG from Atlantic to the Pacific. In late 2014 and 2015 the price for crude oil dropped significantly along with a slowdown in the global economy, resulting in the drop in LNG prices in Asia and the closing of the arbitrage between Atlantic and Pacific base prices. Since that period, the market has been characterized by an oversupply of LNG tonnage, mainly caused by delays in new LNG capacity coming on stream and the reduced intra basin trading. This overhang of tonnage has caused freight rates to be depressed.

## **Environmental and Other Regulations in the Shipping Industry**

Government regulation and laws significantly affect the ownership and operation of our fleet. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the United States Coast Guard, or USCG, harbor master or equivalent), classification societies, flag state administrations (countries of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of one or more of our vessels.

Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations frequently change and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

### ***International Maritime Regulation of LNG Vessels***

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (the "IMO"), has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as "MARPOL," adopted the International Convention for the Safety of Life at Sea of 1974 ("SOLAS Convention"), and the International Convention on Load Lines of 1966 (the "LL Convention"). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. MARPOL is applicable to dry bulk, tanker and LNG carriers, among other vessels, and is broken into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried in bulk in liquid or in packaged form, respectively; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, lastly, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997.

Vessels that transport gas, including LNG carriers and FSRUs, are also subject to regulation under the International Code for the Construction and Equipment of Ships Carrying Liquefied Gases in Bulk, or the IGC Code, published by the IMO. The IGC Code provides a standard for the safe carriage of LNG and certain other liquid gases by prescribing the design and construction standards of vessels involved in such carriage. The completely revised and updated IGC Code entered into force in 2016, and the amendments were developed following a comprehensive five-year review and are intended to take into account the latest advances in science and technology. Compliance with the IGC Code must be evidenced by a Certificate of Fitness for the Carriage of Liquefied Gases in Bulk. Non-compliance with the IGC Code or other applicable IMO regulations may subject a shipowner or a bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. We believe that each of our vessels is in compliance with the IGC Code and each of our new buildings/conversion contracts requires that the vessel receive certification that it is in compliance with applicable regulations before it is delivered.

In June 2015 the IMO formally adopted the International Code of Safety for Ships using Gases or Low flashpoint Fuels, or the IGF Code, which is designed to minimize the risks involved with ships using low flashpoint fuels- including LNG. The IGF Code will be mandatory under SOLAS through the adopted amendments. The IGF Code and the amendments to SOLAS became effective January 1, 2017.

Our LNG vessels may also become subject to the 2010 HNS Convention, if it is entered into force. The Convention creates a regime of liability and compensation for damage from hazardous and noxious substances ("HNS"), including liquefied gases. The 2010 HNS Convention sets up a two-tier system of compensation composed of compulsory insurance taken out by shipowners and an HNS Fund which comes into play when the insurance is insufficient to satisfy a claim or does not cover the incident. Under the 2010 HNS Convention, if damage is caused by bulk HNS, claims for compensation will first be sought from the shipowner up to a maximum of 100 million Special Drawing Rights ("SDR"). If the damage is caused by packaged HNS or by both bulk and packaged HNS, the maximum liability is 115 million SDR. Once the limit is reached, compensation will be paid from the HNS Fund up to a maximum of 250 million SDR. The 2010 HNS Convention has not been ratified by a sufficient number of countries to enter into force, and we cannot estimate the costs that may be needed to comply with any such requirements that may be adopted with any certainty at this time.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulation may have on our operations.

#### *Air Emissions*

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution from vessels. Effective May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits "deliberate emissions" of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions, as explained below. Emissions of "volatile organic compounds" from certain vessels, and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls, or PCBs) are also prohibited. We believe that all our vessels are currently compliant in all material respects with these regulations.

The MEPC adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 70th session, the MEPC agreed to implement a global 0.5% m/m sulfur oxide emissions limit (reduced from 3.50%) starting from January 1, 2020. This limitation can be met by using low-sulfur compliant fuel oil, alternative fuels, or certain exhaust gas cleaning systems. Once the cap becomes effective, ships will be required to obtain bunker delivery notes and International Air Pollution Prevention ("IAPP") Certificates from their flag states that specify sulfur content. Additionally, at MEPC 73, amendments to Annex VI to prohibit the carriage of bunkers above 0.5% Sulphur on ships were adopted and will take effect March 1, 2020. These regulations subject ocean-going vessels to stringent emissions controls, and may cause us to incur substantial costs.

Sulfur content standards are even stricter within certain "Emission Control Areas," or ("ECAs"). As of January 1, 2015, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 0.1%. Amended Annex VI establishes procedures for designating new ECAs. Currently, the IMO has designated four ECAs, including specified portions of the Baltic Sea area, North Sea area, North American area and United States Caribbean area. Ocean-going vessels in these areas will be subject to stringent emission controls and may cause us to incur additional costs. If other ECAs are approved by the IMO, or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the U.S. Environmental Protection Agency ("EPA") or the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for marine diesel engines, depending on their date of installation. At the MEPC meeting held from March to April 2014, amendments to Annex VI were adopted which address the date on which Tier III Nitrogen Oxide (NO<sub>x</sub>) standards in ECAs will go into effect. Under the amendments, Tier III NO<sub>x</sub> standards apply to ships that operate in the North American and U.S. Caribbean Sea ECAs designed for the control of NO<sub>x</sub> produced by vessels with a marine diesel engine installed and constructed on or after January 1, 2016. Tier III requirements could apply to areas that will be designated for Tier III NO<sub>x</sub> in the future. At MEPC 70 and MEPC 71, the MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxide for ships built after January 1, 2021. The EPA promulgated equivalent (and in some senses stricter) emissions standards in late 2009. As a result of these designations or similar future designations, we may be required to incur additional operating or other costs.

As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI became effective as of March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection commencing on January 1, 2019. The IMO intends to use such data as the first step in its roadmap (through 2023) for developing its strategy to reduce greenhouse gas emissions from ships, as discussed further below.

As of January 1, 2013, MARPOL made mandatory certain measures relating to energy efficiency for ships. All ships are now required to develop and implement Ship Energy Efficiency Management Plans ("SEEMPS"), and new ships must be designed in compliance with minimum energy efficiency levels per capacity mile as defined by the Energy Efficiency Design Index ("EEDI"). Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014.

We may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition.

#### *Safety Management System Requirements*

The SOLAS Convention was amended to address the safe manning of vessels and emergency training drills. The Convention of Limitation of Liability for Maritime Claims (the "LLMC") sets limitations of liability for a loss of life or personal injury claim or a property claim against ship owners. We believe that our vessels are in substantial compliance with SOLAS and LLMC standards.

Under Chapter IX of the SOLAS Convention, or the International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the "ISM Code"), our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that our managers have developed for compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with the ISM Code requirements for a safety management system. No vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. We have obtained applicable documents of compliance for our offices and safety management certificates for all of our vessels for which the certificates are required by the IMO. The document of compliance and safety management certificate are renewed as required.

Regulation II-1/3-10 of the SOLAS Convention governs ship construction and stipulates that ships over 150 meters in length must have adequate strength, integrity and stability to minimize risk of loss or pollution. Goal-based standards amendments in SOLAS regulation II-1/3-10 entered into force in 2012, with July 1, 2016 set for application to new oil tankers and bulk carriers. The SOLAS Convention regulation II-1/3-10 on goal-based ship construction standards for bulk carriers and oil tankers, which entered into force on January 1, 2012, requires that all oil tankers and bulk carriers of 150 meters in length and above, for which the building contract is placed on or after July 1, 2016, satisfy applicable structural requirements conforming to the functional requirements of the International Goal-based Ship Construction Standards for Bulk Carriers and Oil Tankers (GBS Standards).



Amendments to the SOLAS Convention Chapter VII apply to vessels transporting dangerous goods and require those vessels be in compliance with the International Maritime Dangerous Goods Code ("IMDG Code"). Effective January 1, 2018, the IMDG Code includes (1) updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, (2) new marking, packing and classification requirements for dangerous goods, and (3) new mandatory training requirements.

The IMO has also adopted the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers ("STCW"). As of February 2017, all seafarers are required to meet the STCW standards and be in possession of a valid STCW certificate. Flag states that have ratified SOLAS and STCW generally employ the classification societies, which have incorporated SOLAS and STCW requirements into their class rules, to undertake surveys to confirm compliance.

Furthermore, recent action by the IMO's Maritime Safety Committee and United States agencies indicate that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. For example, cyber-risk management systems must be incorporated by ship-owners and managers by 2021. This might cause companies to create additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. The impact of such regulations is hard to predict at this time.

### *Pollution Control and Liability Requirements*

The IMO has negotiated international conventions that impose liability for pollution in international waters and the territorial waters of the signatories to such conventions. For example, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments (the "BWM Convention") in 2004. The BWM Convention entered into force on September 9, 2017. The BWM Convention requires ships to manage their ballast water to remove, render harmless, or avoid the uptake or discharge of new or invasive aquatic organisms and pathogens within ballast water and sediments. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, and require all ships to carry a ballast water record book and an international ballast Water management certificate.

On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels delivered before the entry into force date "existing vessels" and allows for the installation of ballast water management systems on such vessels at the first International Oil Pollution Prevention ("IOPP") renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. Ships over 400 gross tons generally must comply with a "D-1 standard," requiring the exchange of ballast water only in open seas and away from coastal waters. The "D-2 standard" specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D-2 standard on or after September 8, 2019. For most ships, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ballast Water Management systems, which include systems that make use of chemical, biocides, organisms or biological mechanisms, or which alter the chemical or physical characteristics of the Ballast Water, must be approved in accordance with IMO Guidelines (Regulation D-3). Costs of compliance with these regulations may be substantial.

Once mid-ocean ballast exchange ballast water treatment requirements become mandatory under the BWM Convention, the cost of compliance could increase for ocean carriers and may have a material effect on our operations. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The U.S., for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements.

The IMO adopted the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocols in 1976, 1984, and 1992, and amended in 2000 ("the CLC"). Under the CLC and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner may be strictly liable for pollution damage caused in the territorial waters of a contracting state by discharge of persistent oil, subject to certain exceptions. The 1992 Protocol changed certain limits on liability expressed using the International Monetary Fund currency unit, the Special Drawing Rights. The limits on liability have since been amended so that the compensation limits on liability were raised. The right to limit liability is forfeited under the CLC where the spill is caused by the shipowner's actual fault and under the 1992 Protocol where the spill is caused by the shipowner's intentional or reckless act or omission where the shipowner knew pollution damage would probably result. The CLC requires ships over 2,000 tons covered by it to maintain insurance covering the liability of the owner in a sum equivalent to an owner's liability for a single incident. We have protection and indemnity insurance for environmental incidents. P&I Clubs in the International Group issue the required Bunkers Convention "Blue Cards" to enable signatory states to issue certificates. All of our vessels are in possession of a CLC State issued certificate attesting that the required insurance coverage is in force.

The IMO also adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the "Bunker Convention") to impose strict liability on ship owners (including the registered owner, bareboat charterer, manager or operator) for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the LLMC). With respect to non-ratifying states, liability for spills or releases of oil carried as fuel in ship's bunkers typically is determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

Ships are required to maintain a certificate attesting that they maintain adequate insurance to cover an incident. In jurisdictions, such as the United States where the CLC or the Bunker Convention has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or on a strict-liability basis.

#### *Anti-Fouling Requirements*

In 2001, the IMO adopted the International Convention on the Control of Harmful Anti-fouling Systems on Ships, or the "Anti-fouling Convention." The Anti-fouling Convention, which entered into force on September 17, 2008, prohibits the use of organotin compound coatings to prevent the attachment of mollusks and other sea life to the hulls of vessels. Vessels of over 400 gross tons engaged in international voyages will also be required to undergo an initial survey before the vessel is put into service or before an International Anti-fouling System Certificate is issued for the first time; and subsequent surveys when the anti-fouling systems are altered or replaced. We have obtained Anti-fouling System Certificates for all of our vessels that are subject to the Anti-fouling Convention.

#### *Compliance Enforcement*

Noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and European Union authorities have indicated that vessels not in compliance with the ISM Code by applicable deadlines will be prohibited from trading in U.S. and European Union ports, respectively. As of the date of this registration statement, each of our vessels is ISM Code certified. However, there can be no assurance that such certificates will be maintained in the future. The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

## *United States Regulations*

### *The U.S. Oil Pollution Act of 1990 and the Comprehensive Environmental Response, Compensation and Liability Act*

The U.S. Oil Pollution Act of 1990 ("OPA") established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all "owners and operators" whose vessels trade or operate within the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S.'s territorial sea and its 200 nautical mile exclusive economic zone around the U.S. The U.S. has also enacted the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

Under OPA, vessel owners and operators are "responsible parties" and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers (fuel). OPA defines these other damages broadly to include:

- injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- injury to, or economic losses resulting from, the destruction of real and personal property;
- loss of subsistence use of natural resources that are injured, destroyed or lost;
- net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective December 21, 2015, the USCG adjusted the limits of OPA liability for a tank vessel, other than a single-hull tank vessel, over 3,000 gross tons liability to the greater of \$2,200 per gross ton or \$18,796,800 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party's gross negligence or willful misconduct. The limitation on liability similarly does not apply if the responsible party fails or refuses to (i) report the incident where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damages for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing the same, and health assessments or health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5.0 million for vessels carrying a hazardous substance as cargo and the greater of \$300 per gross ton or \$500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA each preserve the right to recover damages under existing law, including maritime tort law. OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We comply and plan to comply going forward with the USCG's financial responsibility regulations by providing applicable certificates of financial responsibility.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA and some states have enacted legislation providing for unlimited liability for oil spills. Many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law. Moreover, some states have enacted legislation providing for unlimited liability for discharge of pollutants within their waters, although in some cases, states which have enacted this type of legislation have not yet issued implementing regulations defining vessel owners' responsibilities under these laws. The Company intends to comply with all applicable state regulations in the ports where the Company's vessels call.

We currently maintain pollution liability coverage insurance in the amount of \$1 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have an adverse effect on our business and results of operation.

#### *Other United States Environmental Regulations*

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) ("CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. The CAA also requires states to draft State Implementation Plans, or SIPs, designed to attain national health-based air quality standards in each state. Although state-specific, SIPs may include regulations concerning emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. Our vessels operating in such regulated port areas with restricted cargoes are equipped with vapor recovery systems that satisfy these existing requirements.

The U.S. Clean Water Act ("CWA") prohibits the discharge of oil, hazardous substances and ballast water in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. In 2015, the EPA expanded the definition of "waters of the United States" ("WOTUS"), thereby expanding federal authority under the CWA. Following litigation on the revised WOTUS rule, in December 2018, the EPA and Department of the Army proposed a revised, limited definition of "waters of the United States." The effect of this proposal on U.S. environmental regulations is still unknown.

The EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial costs, and/or otherwise restrict our vessels from entering U.S. Waters. The EPA will regulate these ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters pursuant to the Vessel Incidental Discharge Act ("VIDA"), which was signed into law on December 4, 2018 and will replace the 2013 Vessel General Permit ("VGP") program (which authorizes discharges incidental to operations of commercial vessels and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, stringent requirements for exhaust gas scrubbers, and requirements for the use of environmentally acceptable lubricants) and current Coast Guard ballast water management regulations adopted under the U.S. National Invasive Species Act ("NISA"), such as mid-ocean ballast exchange programs and installation of approved USCG technology. VIDA establishes a new framework for the regulation of vessel incidental discharges under the CWA, requires the EPA to develop performance standards for those discharges within two years of enactment, and requires the U.S. Coast Guard to develop implementation, compliance, and enforcement regulations within two years of EPA's promulgation of standards. Under VIDA, all provisions of the 2013 VGP and USCG regulations regarding ballast water treatment remain in force and effect until the EPA and U.S. Coast Guard regulations are finalized. Non-military, non-recreational vessels greater than 79 feet in length must continue to comply with the requirements of the VGP, including submission of a Notice of Intent ("NOI") or retention of a PARI form and submission of annual reports. We have submitted NOIs for our vessels where required. Compliance with the EPA, U.S. Coast Guard and state regulations could require the installation of ballast water treatment equipment on our vessels or the implementation of other port facility disposal procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.



## ***European Union Regulations***

In October 2009, the European Union amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. Regulation (EU) 2015/757 of the European Parliament and of the Council of 29 April 2015 (amending EU Directive 2009/16/EC) governs the monitoring, reporting and verification of carbon dioxide emissions from maritime transport, and, subject to some exclusions, requires companies with ships over 5,000 gross tonnage to monitor and report carbon dioxide emissions annually starting on January 1, 2018, which may cause us to incur additional expenses.

The European Union has adopted several regulations and directives requiring, among other things, more frequent inspections of high-risk ships, as determined by type, age, and flag as well as the number of times the ship has been detained. The European Union also adopted and extended a ban on substandard ships and enacted a minimum ban period and a definitive ban for repeated offenses. The regulation also provided the European Union with greater authority and control over classification societies, by imposing more requirements on classification societies and providing for fines or penalty payments for organizations that failed to comply. Furthermore, the EU has implemented regulations requiring vessels to use reduced sulfur content fuel for their main and auxiliary engines. The EU Directive 2005/33/EC (amending Directive 1999/32/EC) introduced requirements parallel to those in Annex VI relating to the sulfur content of marine fuels. In addition, the EU imposed a 0.1% maximum sulfur requirement for fuel used by ships at berth in EU ports.

## ***International Labor Organization***

The International Labor Organization (the "ILO") is a specialized agency of the UN that has adopted the Maritime Labor Convention 2006 ("MLC 2006"). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance is required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. We believe that all our vessels are in substantial compliance with and are certified to meet MLC 2006.

## ***Greenhouse Gas Regulation***

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. On June 1, 2017, the U.S. President announced that the United States intends to withdraw from the Paris Agreement. The timing and effect of such action has yet to be determined, but the Paris Agreement provides for a four-year exit process.

At MEPC 70 and MEPC 71, a draft outline of the structure of the initial strategy for developing a comprehensive IMO strategy on reduction of greenhouse gas emissions from ships was approved. In accordance with this roadmap, in April 2018, nations at the MEPC 72 adopted an initial strategy to reduce greenhouse gas emissions from ships. The initial strategy identifies "levels of ambition" to reducing greenhouse gas emissions, including (1) decreasing the carbon intensity from ships through implementation of further phases of the EEDI for new ships; (2) reducing carbon dioxide emissions per transport work, as an average across international shipping, by at least 40% by 2030, pursuing efforts towards 70% by 2050, compared to 2008 emission levels; and (3) reducing the total annual greenhouse emissions by at least 50% by 2050 compared to 2008 while pursuing efforts towards phasing them out entirely. The initial strategy notes that technological innovation, alternative fuels and/or energy sources for international shipping will be integral to achieve the overall ambition. These regulations could cause us to incur additional substantial expenses.

The EU made a unilateral commitment to reduce overall greenhouse gas emissions from its member states from 20% of 1990 levels by 2020. The EU also committed to reduce its emissions by 20% under the Kyoto Protocol's second period from 2013 to 2020. Starting in January 2018, large ships calling at EU ports are required to collect and publish data on carbon dioxide emissions and other information.

In the United States, the EPA issued a finding that greenhouse gases endanger the public health and safety, adopted regulations to limit greenhouse gas emissions from certain mobile sources, and proposed regulations to limit greenhouse gas emissions from large stationary sources. However, in March 2017, the U.S. President signed an executive order to review and possibly eliminate the EPA's plan to cut greenhouse gas emissions. The EPA or individual U.S. states could enact environmental regulations that would affect our operations.

Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol or Paris Agreement, that restricts emissions of greenhouse gases could require us to make significant financial expenditures which we cannot predict with certainty at this time. Even in the absence of climate control legislation, our business may be indirectly affected to the extent that climate change may result in sea level changes or certain weather events.

### ***Vessel Security Regulations***

Since the terrorist attacks of September 11, 2001 in the United States, there have been a variety of initiatives intended to enhance vessel security such as the U.S. Maritime Transportation Security Act of 2002 ("MTSA"). To implement certain portions of the MTSA, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States and at certain ports and facilities, some of which are regulated by the EPA.

Similarly, Chapter XI-2 of the SOLAS Convention imposes detailed security obligations on vessels and port authorities and mandates compliance with the International Ship and Port Facilities Security Code ("the ISPS Code"). The ISPS Code is designed to enhance the security of ports and ships against terrorism. To trade internationally, a vessel must attain an International Ship Security Certificate ("ISSC") from a recognized security organization approved by the vessel's flag state. Ships operating without a valid certificate may be detained, expelled from, or refused entry at port until they obtain an ISSC. The various requirements, some of which are found in the SOLAS Convention, include, for example, on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship's identity, position, course, speed and navigational status; on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore; the development of vessel security plans; ship identification number to be permanently marked on a vessel's hull; a continuous synopsis record kept onboard showing a vessel's history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship's identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and compliance with flag state security certification requirements.

The USCG regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid ISSC that attests to the vessel's compliance with the SOLAS Convention security requirements and the ISPS Code. Future security measures could have a significant financial impact on us. We intend to comply with the various security measures addressed by MTSA, the SOLAS Convention and the ISPS Code.

### **Inspection by Classification Societies**

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and SOLAS. Most insurance underwriters make it a condition for insurance coverage and lending that a vessel be certified "in class" by a classification society which is a member of the International Association of Classification Societies, the IACS. The IACS has adopted harmonized Common Structural Rules, or the Rules, which apply to oil tankers and bulk carriers constructed on or after July 1, 2015. The Rules attempt to create a level of consistency between IACS Societies. All of our vessels are certified as being "in class" by American Bureau of Shipping.

A vessel must undergo annual surveys, intermediate surveys, dry-dockings and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be dry-docked every five years for inspection of the underwater parts of the vessel. If any vessel does not maintain its class and/or fails any annual survey, intermediate survey, dry-docking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our financing agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

## **Risk of Loss and Liability Insurance**

### ***General***

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy incidents, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon shipowners, operators and bareboat charterers of any vessel trading in the exclusive economic zone of the United States for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners and operators trading in the United States market. We carry insurance coverage as customary in the shipping industry. However, not all risks can be insured, specific claims may be rejected, and we might not be always able to obtain adequate insurance coverage at reasonable rates.

### ***Marine and War Risks Insurance***

We have in force marine hull and machinery and war risks insurance for all of our vessels. Our marine hull and machinery insurance covers risks of particular and general average and actual or constructive total loss from collision, fire, grounding, engine breakdown and other insured named perils up to an agreed amount per vessel. Our war risks insurance covers the risks of particular and general average and actual or constructive total loss from acts of war and civil war, terrorism, piracy, confiscation, seizure, capture, vandalism, sabotage, and other war-related named perils. We have also arranged coverage for increased value for each vessel. Under this increased value coverage, in the event of total loss of a vessel, we will be able to recover amounts in excess of those recoverable under the hull and machinery policy in order to compensate for additional costs associated with replacement of the loss of the vessel. Each vessel is covered up to at least its fair market value at the time of the insurance attachment and subject to a fixed deductible per each single accident or occurrence.

### ***Protection and Indemnity Insurance***

Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, and covers our third-party liabilities in connection with our shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or "clubs."

Our current protection and indemnity insurance coverage for pollution is \$1 billion per vessel per incident. The 13 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. The International Group's website states that the Pool provides a mechanism for sharing all claims in excess of US\$ 10 million up to, currently, approximately US\$ 8.2 billion. As a member of a P&I Association, which is a member of the International Group, we are subject to calls payable to the associations based on our claim records as well as the claim records of all other members of the individual associations and members of the shipping pool of P&I Associations comprising the International Group.



## **Permits and Authorizations**

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our vessels. The permits, licenses and certificates that are required depend upon several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of the vessel. We have obtained all permits, licenses and certificates currently required to permit our vessels to operate. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of us doing business.

## **LNG Safety**

LNG shipping is generally safe relative to other forms of commercial marine transportation. In the past forty years, there have been no significant accidents or cargo spillages involving an LNG carrier, even though over 40,000 LNG voyages have been made during that time.

LNG is non-toxic and non-explosive in its liquid state. It only becomes explosive or inflammable when it is heated, vaporized, and in a confined space within a narrow range of concentrations in the air (5% to 15%). The risks and hazards from an LNG spillage vary depending on the size of the spillage, the environmental conditions, and the site at which the spillage occurs.

## **Competition**

We operate in markets that are highly competitive and based primarily on supply and demand. The process of obtaining new time charters generally involves intensive screening and competitive bidding, and often extends for several months. LNG carrier time charters are generally awarded based upon a variety of factors relating to the vessel operator, including but not limited to price, customer relationships, operating expertise, professional reputation and size, age and condition of the vessel. We believe that the LNG shipping industry is characterized by the significant time required to develop the operating expertise and professional reputation necessary to obtain and retain charterers.

We expect substantial competition for providing marine transportation services for potential LNG projects from a number of experienced companies, including state-sponsored entities and major energy companies. Many of these competitors have significantly greater financial resources and larger and more versatile fleets than we do. We anticipate that an increasing number of marine transportation companies, including many with strong reputations and extensive resources and experience, will enter the LNG transportation market. This increased competition may cause greater price competition for time charters.

## **Seasonality**

Historically, LNG trade, and therefore charter rates, increased in the winter months and eased in the summer months as demand for LNG in the Northern Hemisphere rose in colder weather and fell in warmer weather. The LNG industry in general has become less dependent on the seasonal transport of LNG than a decade ago as new uses for LNG have developed, spreading consumption more evenly over the year. There is a higher seasonal demand during the summer months due to energy requirements for air conditioning in some markets and a pronounced higher seasonal demand during the winter months for heating in other markets.

## **C. Organizational Structure**

FLEX LNG was initially incorporated under the laws of the British Virgin Islands in 2006 and re-domiciled, by way of continuation, into Bermuda in 2017. We operate principally through our wholly-owned subsidiaries, which are incorporated in Bermuda, the United Kingdom, Norway, the Isle of Man and the Marshall Islands. A list of our subsidiaries is filed herewith as Exhibit 8.1.

#### **D. Property, Plants and Equipment**

We own no properties other than our vessels. For a description of our fleet, see "Item 4. Information on the Company—B. Business Overview—Our Fleet."

We lease office space in Oslo, Norway from Seatankers Management Norway AS, a related party.

#### **Patents, Licenses and Trademarks**

We have no material patents and do not use any licenses other than ordinary information technology licenses.

We have registered our primary domain: [www.flexlng.com](http://www.flexlng.com).

#### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

The following presentation of management's discussion and analysis of results of operations and financial condition should be read in conjunction with our audited consolidated financial statements, and related notes, and other financial information appearing in "Item 18. Financial Statements." You should also carefully read the following discussion with the sections of this registration statement entitled "Explanatory Note and Presentation of Our Financial Data," "Item 3. Key Information—D. Risk Factors," "Item 4. Information on the Company—B. Business Overview," and "Cautionary Statement Regarding Forward-Looking Statements." This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in "Item 3. Key Information—D. Risk Factors" and elsewhere in this registration statement.

The audited consolidated financial statements as of and for the years ended December 31, 2018 and 2017 have been prepared in accordance with U.S. GAAP. The financial statements are presented in U.S. dollars.

## A. Operating Results

### Important Financial and Operational Terms and Concepts

We use a variety of financial and operational terms and concepts when analyzing our performance. These include the following:

**Voyage Revenues.** Our time charter revenues are driven primarily by the number of vessels in our fleet, the amount of daily charter hire that our LNG carriers earn under time charters and the number of revenue earning days during which our vessels generate revenues. These factors are, in turn, affected by our decisions relating to vessel acquisitions, the amount of time that our LNG carriers spend dry-docked undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels and the levels of supply and demand in the LNG carrier charter market. Our revenues will also be affected if any of our charterers cancel a time charter or if we agree to renegotiate charter terms during the term of a charter resulting in aggregate revenue reduction. Our time charter arrangements have been contracted in varying rate environments and expire at different times. The Company employs all of its vessels on time charter contracts, which the Company has established to contain a lease since the vessel is a specified asset, the charterer has the right to direct the use of the vessel and there is no substantive substitution rights. All revenue from time charter contracts are therefore not recognized under ASC 606 *Revenue from Contracts with Customers* and instead are recognized as operating leases under ASC 842 *Leases*, for which it has early adopted from January 1, 2017. We recognize revenues from time charters over the term of the charter as the applicable vessel operates under the charter. Under time charters, revenue is not recognized during days a vessel is off-hire. Revenue is recognized from delivery of the vessel to the charterer, until the end of the time charter period. Under time charters, we are responsible for providing the crewing and other services related to the vessel's operations, the cost of which is included in the daily hire rate, except when off-hire.

Refer to Note 3 in the Financial Statements for additional information related to the adoption of ASC 606 *Revenue from Contracts with Customers* and ASC 842 *Leases*.

**Off-hire (Including Commercial Waiting Time).** When a vessel is "off-hire"—or not available for service—the charterer generally is not required to pay the time charter hire rate and we are responsible for all costs. Prolonged off-hire may lead to vessel substitution or termination of a time charter. Our vessels may be out of service, that is, off-hire, for several reasons: scheduled dry-docking, special survey, vessel upgrade or maintenance or inspection, which we refer to as scheduled off-hire; days spent waiting or positioning for a charter, which we refer to as commercial waiting time; and unscheduled repairs, maintenance, operational efficiencies, equipment breakdown, accidents, crewing strikes, certain vessel detentions or similar problems, or our failure to maintain the vessel in compliance with its specifications and contractual standards or to provide the required crew, which we refer to as unscheduled off-hire. We have obtained loss of hire insurance to protect us against loss of income in the event one of our vessels cannot be employed due to damage that is covered under the terms of our hull and machinery insurance. Under our loss of hire policies, our insurer generally will pay us the hire rate agreed in respect of each vessel for each day in excess of 14 days and with a maximum period of 120 days.

**Voyage Expenses.** Voyage expenses primarily include port and canal charges, bunker (fuel) expenses and agency fees which are paid for by the charterer under our time charter arrangements or by us during periods of off-hire except for commissions, which are always paid for by us. We may incur voyage related expenses when positioning or repositioning vessels before or after the period of a time charter, during periods of commercial waiting time or while off-hire during a period of dry-docking. Voyage expenses can be higher when vessels trade on shorter term charters or in the spot market due to fuel consumption during idling, cool down requirements, commercial waiting time in between charters and positioning and repositioning costs. From time to time, in accordance with industry practice, we pay commissions ranging up to 1.25% of the total daily charter rate under the charters to unaffiliated ship brokers, depending on the number of brokers involved with arranging the charter.

**Vessel Operating Expenses.** Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, lubricant costs, statutory and classification expenses, forwarding and communications expenses and other miscellaneous expenses. Vessel operating expenses are paid by the ship-owner under time charters and are recognized as expenses when incurred. We expect that insurance costs, dry-docking and maintenance costs will increase as our vessels age. Factors beyond our control, some of which may affect the shipping industry in general—for instance, developments relating to market premiums for insurance, industry and regulatory requirements and changes in the market price of lubricants due to increases in oil prices—may also cause vessel operating expenses to increase.

**Dry-docking.** We must periodically dry-dock each of our vessels for inspection, repairs and maintenance and any modifications required to comply with industry certification or governmental requirements. In accordance with industry certification requirements, we mandatorily dry-dock our vessels every 60 months. Special survey and dry-docking costs (consisting of direct costs, including shipyard costs, paints and class renewal expense, and peripheral costs, including spare parts, service engineer attendance) are capitalized and depreciated over the period until the next dry-dock. The number of dry-dockings undertaken in a given period and the nature of the work performed determine the level of dry-docking expenditures.

**Depreciation.** We depreciate the cost of our vessels on the basis of two components: a vessel component and a dry-docking component. We depreciate our LNG carriers on a straight-line basis over their remaining useful economic lives. Depreciation is based on the cost of the vessel less its estimated salvage value. We estimate the useful life of the LNG carriers in our Fleet to be 35 years from their initial delivery from the shipyard, consistent with LNG industry practice. Vessel residual value is estimated based on historical market trends and represents Management's best estimate of the current selling price assuming the vessels are already of age and condition expected at the end of its useful life. The assumptions made reflect our experience, market conditions and the current practice in the LNG industry; however they required more discretion since there is a lack of historical references in scrap prices of similar types of vessels. The dry-docking component of the vessel's cost is depreciated over five years (the period within which each vessel is required to be dry-docked). We capitalize the costs associated with the dry-docking and amortize these costs on a straight-line basis over the period to the next expected dry-docking. We have adopted the "built in overhaul" method for when a vessel is newly acquired, or constructed, whereby a proportion of the cost of the vessel is allocated to the components expected to be replaced at the next dry-docking based on the expected costs relating to the next dry-docking.

**Interest and Finance Costs.** We incur interest expense on outstanding indebtedness under our existing debt agreements which we include in interest and finance costs. Interest expense depends on our overall level of borrowings and may significantly increase when we take delivery of, acquire or refinance ships. Interest expense may also change with prevailing interest rates, although interest rate swaps or other derivative instruments may reduce the effect of these changes. We also incur financing and legal costs in connection with establishing debt agreements, which are deferred and amortized to interest and finance costs using the effective interest method. We will incur additional interest expense in the future on our outstanding borrowings and under future borrowings. For a description of our existing credit facilities, please see "Item 5.—B. Liquidity and Capital Resources—Our Borrowing Activities."

**Vessel Lives and Impairment.** Vessels are reviewed for impairment quarterly or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, we first compare the undiscounted cash flows expected to be generated by that asset to its carrying value. If the carrying value of the long lived asset is not recoverable on an undiscounted cash flow basis, impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals as considered necessary. Since our inception, no impairment loss was recorded in any of our fleet vessels.

## Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Such estimates and assumptions impact, among others, the following: the amount of uncollectible accounts and accounts receivable, the amount to be paid for certain liabilities, including contingent liabilities, the amount of costs to be capitalized in connection with the construction of our newbuildings and the expected economic life of our vessels. Actual results could differ from those estimates.

## ***Revenue and expense recognition***

Our shipping revenues are primarily generated from time charters. In a time charter voyage, the vessel is hired by the charterer for a specified period of time in exchange for consideration which is based on a daily hire rate. Generally, the charterer has the discretion over the ports visited, shipping routes and vessel speed. The contract/charter party generally provides typical warranties regarding the speed and performance of the vessel. The charter party generally has some owner protective restrictions such as that the vessel is sent only to safe ports by the charterer and carries only lawful or non hazardous cargo. In a time charter contract, we are responsible for all the costs incurred for running the vessel such as crew costs, vessel insurance, repairs and maintenance and lubes. The charterer bears the voyage related costs such as bunker expenses, port charges, canal tolls during the hire period. The performance obligations in a time charter contract are satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to us. The charterer generally pays the charter hire in advance of the upcoming contract period. The time charter contracts are considered operating leases because (i) the vessel is an identifiable asset (ii) we do not have substantive substitution rights and (iii) the charterer has the right to control the use of the vessel during the term of the contract and derives the economic benefits from such use. Time charter revenues are recorded over the term of the charter as a service is provided.

## ***Vessel Impairment***

The carrying values of our vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels and the cost of newbuildings tend to fluctuate with changes in charter rates. Historically, both charter rates and vessel values tend to be cyclical. The carrying amounts of vessels that are held and used by us are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular vessel or newbuilding may not be fully recoverable. Such indicators may include depressed charter rates and depressed second-hand vessel values. We assess recoverability of the carrying value of each asset on an individual basis by estimating the future undiscounted cash flows expected to result from the asset. If the future net undiscounted cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value. Fair value is estimated based on values achieved for the sale/purchase of similar vessels and appraised valuations.

## ***Vessels and depreciation***

Vessels are stated at cost less accumulated depreciation. We depreciate the cost of our vessels on the basis of two components: a vessel component and a dry-docking component. Vessel depreciation is calculated based on cost less estimated residual value, using the straight-line method, over the useful life of each vessel. The useful life of each vessel is deemed to be 35 years. The residual value is calculated by multiplying the lightweight tonnage of the vessel by the market price of scrap per tonne. The market price of scrap per tonne is calculated as the 10-year average, up to the date of delivery of the vessel, across the three main recycling markets (Far East, Indian sub-continent and Bangladesh). Residual values are reviewed annually. The dry-docking component of the vessel's cost is depreciated over five years (the period within which each vessel is required to be dry-docked). We capitalize the costs associated with the dry-docking and amortize these costs on a straight-line basis over the period to the next expected dry-docking. We have adopted the "built in overhaul" method for when a vessel is newly acquired, or constructed, whereby a proportion of the cost of the vessel is allocated to the components expected to be replaced at the next dry-docking based on the expected costs relating to the next dry-docking.

## **Implications of Being an Emerging Growth Company**

We had less than \$1.07 billion in revenue during our last fiscal year, which means that we are an "emerging growth company" as defined in the JOBS Act. As an emerging growth company, we may take advantage of specified reduced public company reporting requirements that are otherwise applicable generally to public companies, including:

- the ability to present only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations in the registration statement for our initial public offering;
- an exemption from the auditor attestation requirement of management's assessment of the effectiveness of our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act; and

- an exemption from compliance with any new requirements adopted by the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and financial statements.

We may choose to take advantage of some or all of these reduced reporting requirements. We may take advantage of these provisions until the end of the fiscal year following the fifth anniversary of the date we first sell our common equity securities pursuant to an effective registration statement under the Securities Act, or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if we have more than \$1.07 billion in "total annual gross revenues" during our most recently completed fiscal year, if we become a "large accelerated filer" with a public float of more than \$700 million, or as of any date on which we have issued more than \$1 billion in non-convertible debt over the three-year period prior to such date.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to "opt out" of such extended transition period, and as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

For as long as we take advantage of the reduced reporting obligations, the information that we provide shareholders may not be compatible to information provided by other public companies. See "Item 3. Key Information—D. Risk Factors— We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our ordinary shares less attractive to investors."

## *Results of Operations*

### **Year ended December 31, 2018 compared with the year ended December 31, 2017**

#### *Vessel operating revenues*

<i>(in thousands of \$)</i>	<b>2018</b>	2017	Change
<i>Vessel operating revenues</i>	<b>77,209</b>	27,329	49,880

Vessel operating revenues increased by \$49.9 million to \$77.2 million for the year ended December 31, 2018 (2017: \$27.3 million). In 2018 the Company took delivery of four vessels, two in January, one in June and one in July. Two of the vessels have been operating on short-term time charters, while the remaining two have been operating in the spot market.

#### *Vessel operating cost*

<i>(in thousands of \$)</i>	<b>2018</b>	2017	Change
<i>Vessel operating cost own vessels</i>	<b>(20,061)</b>	(6,732)	(13,329)
<i>Vessel operating cost chartered-in vessels</i>	<b>(6,100)</b>	(29,800)	23,700
<i>Total vessel operating cost</i>	<b>(26,161)</b>	(36,532)	10,371

Vessel operating costs, including, charter hire expense, claim expense, broker commissions and technical operating expenses (such as crewing, insurance, lubes and repairs & maintenance) for the year ended December 31, 2018 amounted to \$26.2 million compared to \$36.5 million for the year ended December 31, 2017. For the year ended December 31, 2018, vessel operating costs include \$6.1 million in relation to vessels chartered-in (2017: \$29.8 million). All chartered-in vessels were redelivered by the end of the first quarter of 2018.

Administrative expenses

<i>(in thousands of \$)</i>	<b>2018</b>	2017	Change
<i>Administrative Expenses</i>	<b>(4,639)</b>	(3,409)	(1,230)

Administrative expenses increased by \$1.2 million to \$4.6 million for the year ended December 31, 2018 (2017: \$3.4 million). 2018 was the first year FLEX LNG was fully operational, and during 2018 six new employees were recruited.

Depreciation

<i>(in thousands of \$)</i>	<b>2018</b>	2017	Change
<i>Depreciation</i>	<b>(17,412)</b>	(2)	(17,410)

Depreciation expense for the year ended December 31, 2018 was \$17.4 million, compared to \$0.0 million for the year ended December 31, 2017. The Company took delivery of its first four vessels during 2018.

Finance cost

<i>(in thousands of \$)</i>	<b>2018</b>	2017	Change
<i>Finance income</i>	<b>607</b>	123	484
<i>Finance cost</i>	<b>(17,781)</b>	(234)	(17,547)
<i>Other financial items</i>	<b>(54)</b>	2,334	(2,388)
<i>Net financial income/(cost)</i>	<b>(17,228)</b>	2,223	(19,451)

Finance income was \$0.6 million for the year ended December 31, 2018 compared to \$0.1 million for the year ended December 31, 2017. The increase in finance income is due to increased balances in cash, restricted cash and cash equivalents.

Finance costs were \$17.8 million for the year ended December 31, 2018 compared to \$0.2 million for the year ended December 31, 2017. The increased finance cost is due to the draw down of three bank tranches of \$105 million each under the \$315 Million Term Loan Facility, two in January 2018 and one in June 2018, and the sale and leaseback of *Flex Rainbow* in July 2018.

Other financial items were \$0.0 million for the year ended December 31, 2018 compared to \$2.3 million for the year ended December 31, 2017. The other financial items mainly consist of currency exchange differences. The \$2.3 million in 2017 is a foreign exchange gain due to a currency swap of \$125 million.

## **B. Liquidity and Capital Resources**

### **Liquidity and Cash Needs**

We operate in a capital-intensive industry and have financed the purchase of the vessels and newbuildings in our Fleet through a combination of cash generated from operations, equity capital and borrowings under our financing agreements. Payment of amounts outstanding under our debt agreements, and all other commitments that we have entered into are made from the cash available to us.

#### ***Cash***

As of December 31, 2018, we reported cash, restricted cash and cash equivalents, of \$55.1 million which represented an increase of \$45.1 million, compared to \$10.0 million as of December 31, 2017. The increase is primarily due to positive cash flows from operations, proceeds from the 2018 Norwegian Offering, the proceeds received from the \$315 Million Term Loan Facility and the *Flex Rainbow* Sale and Leaseback, which was offset by instalments payable upon delivery of the newbuildings delivered during the year, advance payments in connection with agreements to acquire additional newbuildings in 2018, the scheduled repayment of debt and the repayment of the full outstanding amount under the \$270 Million Revolving Credit Facility.

#### ***Equity Offerings Impacting our Cash Flow***

In February 2017, we completed the First Norwegian Offering of an aggregate of 7,243,478 ordinary shares at a subscription price of NOK 115.00 per share for gross proceeds of NOK 833 million (approximately \$100 million, based on the prevailing exchange rate as of February 16, 2017). A portion of the proceeds of the First Norwegian Offering were used to repay certain of our indebtedness.

In March 2017, we issued 7,800,000 of our ordinary shares to Geveran as partial consideration for our acquisition of the *Flex Endeavor* and the *Flex Enterprise*, which we purchased from entities related to Geveran through the novation of the newbuilding contracts for the vessels.



In May 2017, we completed the Second Norwegian Offering of an aggregate of 8,947,916 ordinary shares at a subscription price of NOK 120.00 per share for gross proceeds of NOK 1.07 billion (approximately \$125 million, based on the prevailing exchange rate as of May 15, 2017).

In June 2017, we completed a Norwegian Offering of 3,797 ordinary shares at a purchase price of NOK 115.00 per share for gross proceeds of approximately NOK 436,735 (approximately \$51,633, based on the prevailing exchange rate as of June 6, 2017) to shareholders that were not allocated shares in the 2017 Norwegian Offerings or were residents in a jurisdiction that was not able to participate in the 2017 Norwegian Offerings.

In October 2018, we completed the 2018 Norwegian Offering of an aggregate of 17,293,894 ordinary shares at a purchase price of NOK 142.50 per share for gross proceeds of approximately NOK 2.5 billion (approximately \$300 million, based on the prevailing exchange rate as of October 15, 2018). The net proceeds of the 2018 Norwegian Offering have been used to fund the advance payment portion of the purchase price of the October 2018 Newbuildings and for working capital and general corporate purposes. Geveran purchased 5,764,631 shares in the 2018 Norwegian Offering at the subscription price of NOK 142.50 per share.

### **Working Capital Needs**

Working capital is equal to current assets less current liabilities, including the current portion of long-term debt. As of December 31, 2018, we had positive working capital of \$25.0 million, as compared to \$13.2 million as of December 31, 2017, which is primarily the result of positive cash flows from operations.

We believe that our cash flows from operations, amounts available for borrowing under our financing agreements and our cash balance will be sufficient to meet our existing liquidity requirements for at least the next 12 months from the date of this registration statement. We have entered into the \$250 Million Term Loan Facility, which remains subject to the satisfaction of customary closing conditions, to partially finance the final installment payments of an aggregate of \$288 million due upon the deliveries of the *Flex Constellation* and the *Flex Courageous*, which are scheduled for June 2019 and August 2019, respectively. We intend to finance the remaining balance of aggregate \$38 million from our available liquidity, including the available amount of up to \$270 million under our \$270 Million Revolving Credit Facility. If we are unable to fund these obligations, we may default on payments to the sellers, which can potentially result in claims from the sellers for the outstanding payments, and we may not take delivery of the vessels.

### **Our Borrowing Activities**

#### *\$270 Million Revolving Credit Facility*

On March 7, 2017, in connection with our acquisition of the shipbuilding contracts for the *Flex Endeavor* and the *Flex Enterprise*, we, through our wholly-owned subsidiary, Flex LNG Fleet Limited, entered into the \$270 Million Revolving Credit Facility with Sterna Finance Ltd., or Sterna, a company related to Geveran, with a term of three years that commenced on the delivery of the first of our Operating Vessels from DSME. We drew the full amount of this facility upon the closing of the vessel acquisition, which we subsequently partially repaid with portions of the proceeds of the 2017 Norwegian Offerings. This facility can be repaid partially or in full at any time at our discretion and we may continue to draw upon the facility at our discretion to the extent the total outstanding amount thereunder does not exceed \$270 million at any time and therefore provides us with borrowing flexibility and mitigates risk for our financing of newbuildings.

On December 21, 2017, we amended the facility agreement, and share pledges over the shares of our wholly-owned subsidiaries which own the *Flex Endeavor* and the *Flex Enterprise* were released as security under the facility. The newbuildings *Flex Constellation* and *Flex Courageous* now serve as security under the facility. As amended, the facility matures 12 months following the delivery of *Flex Courageous*, which is expected to be delivered in August 2019, after which, \$30 million will be available to us as borrowings for working capital until July 1, 2023, unless otherwise mutually agreed with the lender. The facility bears interest at LIBOR plus a margin of 3.0% per annum.

The facility agreement contains customary representation and warranties and undertakings such as limitations on disposal of assets and compliance with law provisions, acceleration of loan upon a change of control provision and other standard terms and conditions usually found in loan facilities based on arm's length terms. FLEX LNG Ltd. serves as guarantor under the facility. For the year ended December 31, 2018, we paid interest under this facility of \$2.7 million (2017: \$1.3 million). As of December 31, 2018, the outstanding amount under this facility was \$0.0 million (December 31, 2017: \$160.0 million), as the facility was fully repaid in July 2018.



### *\$315 Million Term Loan Facility*

On December 20, 2017, we, through three of our vessel owning subsidiaries, entered into the \$315 Million Term Loan Facility with a syndicate of banks to partially finance the first three vessels in our Fleet, the *Flex Endeavor*, the *Flex Enterprise*, and the *Flex Ranger*, which serve as collateral under the facility. FLEX LNG Ltd. and Flex LNG Fleet Limited, our wholly owned subsidiary, serve as guarantors under the facility. In January 2018, we drew down two \$105 million loan tranches under the facility in connection with the delivery of the *Flex Endeavor* and the *Flex Enterprise*. The third \$105 million tranche was utilized in connection with the delivery of the *Flex Ranger* in June 2018. The facility bears interest at LIBOR plus a margin of 2.85% per annum and matures on June 22, 2023, which is five years from the delivery date of the third and final vessel financed under the facility, which was June 22, 2018. As of December 31, 2018, the net outstanding indebtedness under the facility was \$301.0 million.

Pursuant to the facility agreement, we have an option, subject consent from the lenders under the facility, to substitute one or more of the vessels which serve as collateral under the facility with other vessels in our Fleet. We may also request the lenders to make available a fourth tranche to finance a fourth collateral vessel and to increase the amount of borrowings available under a tranche in the event that we secure employment for a collateral vessel with a duration of minimum five years and with a charterer acceptable to the lenders.

The facility has the following financial covenants, tested quarterly, which requires FLEX LNG (on a consolidated basis) to maintain at all times, among other things: (i) a book equity ratio of a minimum of 0.25 to 1.0, (ii) a positive working capital, and (iii) minimum liquidity of the higher of \$15 million or an amount equal to 5% of our total interest bearing debt on a consolidated basis (excluding the \$270 Million Revolving Credit Facility) and net of any cash and cash equivalents. The facility also requires each vessel owning subsidiary acting as borrower under the facility to maintain at all times, among other things: (i) positive working capital and (ii) minimum liquidity of \$1.2 million. The facility includes a dividend restriction, limiting distributions to circumstances where (i) no default is existing on the time when the distribution is to be made or would result from the making, payment or declaration of the distribution; and (ii) such distributions are in aggregate limited to 50% of FLEX LNG's accumulated and consolidated annual net profits as from January 1, 2018 calculated on the basis of the ultimate parent's audited consolidated financial statements; or (iii) as otherwise consented to in writing by the facility agent. The facility also requires us to provide additional security or prepay an amount of the loan facility as necessary to maintain the fair market value of the vessels securing the loan facility at not less than specified percentages of the principal amount outstanding under the loan facility.

### *Flex Rainbow Sale and Leaseback*

On July 12, 2018, we, through our wholly-owned subsidiary, Flex LNG Rainbow Ltd., which owns the *Flex Rainbow*, entered into a sale leaseback transaction, or the *Flex Rainbow Sale and Leaseback*, for the vessel with a Hong Kong-based lessor for a lease period of ten years. The gross sales price under the lease was \$210 million, of which \$52.5 million represented advance hire for the ten-year lease period. We have the option to re-purchase the vessel at or after the second anniversary of the agreement, and on each anniversary thereafter, until the end of the lease period. The bareboat rate payable under the lease has a fixed element, treated as principal repayment, and a variable element based on LIBOR plus a margin of 3.50% per annum on the outstanding under the lease. The facility requires us to provide additional security, by way of a deposit, as necessary to maintain the fair market value of the vessel at not less than a specified percentage of the principal amount outstanding under the lease. As of December 31, 2018, the net outstanding under the lease was \$154.0 million.

### *\$250 Million Credit Facility*

In April 2019, we, through two of our wholly-owned subsidiaries, entered into the \$250 Million Term Loan Facility with a syndicate of banks to partially finance the two Newbuilding Vessels, *Flex Constellation* and *Flex Courageous*, which will serve as collateral for the facility. The facility remains subject to the satisfaction of customary closing conditions and is expected to be drawn upon delivery of the vessels from the shipyard, currently scheduled for June and August 2019, respectively. The facility has a term of five years from delivery of the last vessel and will bear interest at LIBOR plus a margin of 2.35% per annum.

The facility contains financial covenants, tested quarterly, which requires FLEX LNG (on a consolidated basis) to maintain at all times, among other things: (i) a book equity ratio of a minimum of 0.25 to 1.0, (ii) a positive working capital, and (iii) minimum liquidity of the higher of \$25 million or an amount equal to 5% of our total interest bearing debt on a consolidated basis (excluding the \$270 Million Revolving Credit Facility) and net of any cash and cash equivalents. The facility also requires us to provide additional security or prepay an amount of the loan facility as necessary to maintain the fair market value of the vessels securing the loan facility at not less than specified percentages of the principal amount outstanding under the loan facility.

### *Flex Endeavour and Flex Enterprise Sale and Time Charter Agreements*

In April 2019, we, through two of our wholly owned subsidiaries, entered into sale and time charter agreements for the vessels *Flex Endeavour* and *Flex Enterprise*. Under the agreements, we have agreed to sell the vessels to Triple H No. 3 Ltd. and Triple H No. 4 Ltd., respectively, for a gross consideration of \$210.0 million per vessel, with a net consideration of \$150.0 million per vessel adjusted for a non-amortizing and non-interest bearing seller's credit of \$60.0 million per vessel. *Flex Endeavour* and *Flex Enterprise* are contracted to be chartered back from Hyundai Glovis on a time-charter basis to us, through our subsidiaries, for a period of ten years. We have options to acquire these vessels during the term of the time-charters. At the end of the ten-year charter period, we have the right to acquire the vessels for a consideration of \$75.0 million per vessel, net of the \$60.0 million seller's credit per vessel. The existing ship management agreements are expected to be novated to Hyundai Glovis, securing the continuation of our ship management services. The transaction remains subject to the satisfaction of customary closing conditions and is expected to close in the third quarter of 2019. The two vessels are currently financed under the \$315 Million Term Loan Facility, and upon closing of the transaction, the existing mortgage loans for the two vessels totaling approximately \$194.0 million will be prepaid.

## *Loan Covenants*

Certain of our financing agreements discussed above, have, among other things, the following financial covenants, as amended or waived, the most stringent of which require us (on a consolidated basis) to maintain:

- a book equity ratio of minimum 0.25 to 1.0;
- a positive working capital; and
- liquidity of minimum the higher of: (i) \$25 million; or (ii) an amount equal to five per cent (5%) of our total interest bearing financial indebtedness (excluding the \$270 Million Revolving Credit Facility) and net of any cash and cash equivalents

Our financing agreements discussed above have, among other things, restrictive covenants which would restrict our ability to:

- (i) declare, make or pay any dividend, charge, fee or other distribution (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);
- (ii) pay any interest or repay any principal amount (or capitalized interest) on any debt to any of its shareholders;
- (iii) redeem, repurchase or repay any of its share capital or resolve to do so; or
- (iv) enter into any transaction or arrangement having a similar effect as described in (i) through (iii) above.

A violation of any of the financial covenants contained in our financing agreements described above may constitute an event of default under all of our financing agreements, which, unless cured within the grace period set forth under the financing agreement, if applicable, or waived or modified by our lenders, provides our lenders, by notice to the borrowers, with the right to, among other things, cancel the commitments immediately, declare that all or part of the loan, together with accrued interest, and all other amounts accrued or outstanding under the agreement, be immediately due and payable, enforce any or all security under the security documents, and/or exercise any or all of the rights, remedies, powers or discretions granted to the facility agent or finance parties under the finance documents or by any applicable law or regulation or otherwise as a consequence of such event of default.

Furthermore, our financing agreements contain a cross-default provision that may be triggered by a default one of our other financing agreement. A cross-default provision means that a default on one loan would result in a default on certain of our other loans. Because of the presence of cross-default provisions in certain of our financing agreements, the refusal of any one lender under our financing agreements to grant or extend a waiver could result in certain of our indebtedness being accelerated, even if our other lenders under our financing agreements have waived covenant defaults under the respective agreements. If our secured indebtedness is accelerated in full or in part, it would be very difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels and other assets securing our financing agreements if our lenders foreclose their liens, which would adversely affect our ability to conduct our business.

Moreover, in connection with any waivers of or amendments to our financing agreements that we have obtained, or may obtain in the future, our lenders may impose additional operating and financial restrictions on us or modify the terms of our existing financing agreements. These restrictions may further restrict our ability to, among other things, pay dividends, make capital expenditures or incur additional indebtedness, including through the issuance of guarantees. In addition, our lenders may require the payment of additional fees, require prepayment of a portion of our indebtedness to them, accelerate the amortization schedule for our indebtedness and increase the interest rates they charge us on our outstanding indebtedness.

As of December 31, 2018, we were in compliance with all of the financial covenants contained in our financing agreements.

## Cash flow

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated.

<i>(in thousands of U.S. dollars)</i>	<b>Year ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
Net cash provided by (used in) operating activities	35,714	(17,752)
Net cash used in investing activities	(584,433)	(77,714)
Net cash provided by financing activities	593,855	103,988
Net increase in cash and cash equivalents	45,136	8,522
Cash and cash equivalents at beginning of year	9,961	1,439
Cash and cash equivalents at end of year	55,097	9,961

### *Net cash provided by (used in) operating activities*

Cash provided by operating activities increased by \$53.5 million to \$35.7 million for the year ended December 31, 2018, compared to cash used of \$17.8 million in the same period in 2017. The increase in cash generated during the year ended December 31, 2018 was primarily due to delivery of our first two vessels in January 2018, a third vessel in June 2018 and a fourth vessel in July 2018.

### *Net cash used in investing activities*

Net cash flow used in investing activities increased by \$506.7 million to \$584.4 million in the year ended December 31, 2018, compared to cash used of \$77.7 million in the same period in 2017. The increase in cash used was primarily due to delivery of four newbuildings and agreements to acquire additional newbuildings.

### *Net cash provided by financing activities*

Net cash provided by financing activities increased by \$489.9 million to \$593.9 million in the year ended December 31, 2018, compared to net cash provided of \$104.0 million in the same period in 2017. The increase in cash provided during the year ended December 31, 2018 was primarily due to the proceeds received from the \$315 Million Term Loan Facility and the *Flex Rainbow* Sale and Leaseback and proceeds from the 2018 Norwegian Offering, offset by the repayment of the outstanding amounts under the \$270 Million Revolving Credit Facility.

The table below sets forth a summary of our capital expenditures in 2018 and 2017.

<i>\$ thousand (unaudited)</i>	<b>Year ended 31 December</b>	
	<b>2018</b>	<b>2017</b>
<i>Flex Ranger and Flex Rainbow</i>	216,627	—
<i>Flex Endeavour and Flex Enterprise</i> <sup>(1)</sup>	14,392	376,000
<i>TBN Flex Constellation and TBN Flex Courageous</i>	—	72,000
<i>TBN Flex Aurora and TBN Flex Amber</i>	73,600	—
<i>TBN Flex Reliance, TBN Flex Resolute and TBN Flex Freedom</i>	167,400	—
<i>TBN Flex Volunteer and TBN Flex Vigilant</i>	108,000	—
Capitalized costs <sup>(2)</sup>	3,928	6,465
<b>Total</b>	<b>585,111</b>	<b>454,465</b>

(1) Following the acquisition of *Flex Endeavour* and *Flex Enterprise*, such vessels have been valued at cost based on the value of the 7,800,000 consideration shares we issued to Geveran as partial consideration for our acquisition of these two vessels and the \$270 Million Revolving Credit Facility.

(2) Capitalized costs in 2017 include transaction costs related to the two vessels acquired in 2017 and capitalized costs in 2018 related to the vessels acquired in 2018.

**C. Research and Development, Patents and Licenses, etc.**

Not applicable.

**D. Trend Information**

Please see "Item 4. Information on the Company—B. Business Overview—The Liquefied Natural Gas Industry."

**E. Off-Balance Sheet Arrangements**

As of December 31, 2018, we had no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital resources.

**F. Tabular Disclosure of Contractual Obligations**

We have contractual obligations and commercial commitments for future payments including newbuilding installment payments. The table below summarizes scheduled payments under our contractual obligations as of December 31, 2018.

**Contractual obligations as of December 31, 2018:**

(In thousands of U.S. dollars)

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>3-5 years</u>	<u>More than 5 years</u>
Newbuilding commitments	1,225,000	288,000	937,000	-	-
Long-term debt obligations	460,030	23,625	51,882	268,367	116,156
Interest on floating rate debt	143,560	25,617	46,709	40,536	30,698
<b>Total</b>	<b>\$ 1,828,590</b>	<b>\$ 337,242</b>	<b>\$ 1,035,591</b>	<b>\$ 308,903</b>	<b>\$ 146,854</b>

- (1) The loan repayments comprise repayments under the \$315 Million Term Loan Facility and the *Flex Rainbow* Sale and Leaseback.
- (2) The Long-term debt obligation of \$460.0 million is gross, before deduction of debt issuing cost of \$5.1 million. Carrying value of long-term debt is \$455.0 million.
- (3) Interest on floating rate debt was calculated using the three month USD LIBOR as of December 31, 2018 of 2.8% plus margin applicable for each of our credit facilities and the respective outstanding principal as of December 2018.

**G. Safe Harbor**

Forward-looking information discussed in this Item 5 includes assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as "forward-looking statements." We caution that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. Please see "Cautionary Statement Regarding Forward-Looking Statements" in this registration statement.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

**A. Directors and Senior Management**

Set forth below are the names, ages and positions of our directors and senior executive officers.

The business address of each of our directors and senior management listed below is Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton, Bermuda.



Name	Age	Position
David McManus	65	Director of the Company and Chairman of the Board of Directors
Marius Hermansen	40	Director of the Company
Ola Lorentzon	69	Director of the Company
Nikolai Grigoriev	45	Director of the Company and Chairperson of the Audit Committee
Oystein M. Kalleklev	39	Chief Executive Officer of Flex LNG Management AS
Harald Gurvin	45	Chief Financial Officer of Flex LNG Management AS

Biographical information concerning the directors and our senior executive officers listed above is set forth below.

**David McManus** has served as a director of the Company since August 2011. Mr. McManus is currently non-executive director for a number of listed companies, including Hess Corporation, Rockhopper Exploration, and Costain Group PLC. Mr. McManus has 40 years of technical, commercial, and general management experience across all aspects of the international oil and gas business, having held various executive roles at Pioneer Natural Resources, BG Group, ARCO, Ultramar, and Shell. As Chairman of Cape plc, Mr. McManus worked on several global LNG projects such as Sakhalin, Qatargas, and North West Shelf.

**Marius Hermansen** has served as a director of the Company since December 2015. Mr. Hermansen serves as Head of Sale & Purchase/Newbuildings for Seatankers Management Norway AS, a related party. Mr. Hermansen started out his career as a trainee with AP Moller-Maersk and went on to work over 10 years at Fearnleys Shipbrokers. Mr. Hermansen currently serves as a Director and Chairman of Avance Gas Holding Ltd., a related party. Mr. Hermansen was educated at the Norwegian School of Economics (NHH) in Bergen, Norway.

**Ola Lorentzon** has served a director of the Company since June 2017. Mr. Lorentzon served as Principal Executive Officer of Golden Ocean Group Limited from 2010 to 2015 and held the role as Chief Executive Officer of Frontline Management AS from 2000 to 2003. From 1986 to 2000, Mr. Lorentzon served as Chief Executive Officer of ICB Shipping. Mr. Lorentzon is also a Director and Chairman of Golden Ocean Group Limited and a Director of Frontline Ltd., both related parties, and Erik Thun AB.

**Nikolai Grigoriev** has served as a director of the Company since September 2017. From 2008 to 2016, Mr. Grigoriev served as Managing Director, Shipping at Gazprom Marketing & Trading (GMT) in London and Singapore. Prior to GMT, Mr. Grigoriev worked for BG Group and Merrill Lynch in Houston and London in senior LNG shipping, commercial and corporate finance roles. Nikolai holds a B.Sc. in Navigation from Admiral Makarov State Maritime Academy in St. Petersburg, Russia and an MBA from INSEAD in Fontainebleau, France.

**Oystein M. Kalleklev** joined the Group in October 2017, after serving as Chief Financial Officer of Knutsen NYK Offshore Tankers since 2013 and Chairman of the General Partner of the MLP KNOT Offshore Partners from 2015 to 2017. Previous roles include Chief Financial Officer of industrial investment company Umoe Group, Managing Director of Umoe Invest, Partner of investment bank Clarksons Platou and Business Consultant at Accenture. Mr. Kalleklev holds a MSc in Business and Administration from Norwegian School of Economics and a Bachelor in Business and Finance from Heriot-Watt University. Mr. Kalleklev was appointed Chief Executive Officer of Flex LNG Management AS in August 2018 and also served as interim Chief Financial Officer until January 2019.

**Harald Gurvin** joined Flex LNG Management AS as Chief Financial Officer in January 2019. He has served as Chief Financial Officer of NYSE listed Ship Finance International Limited (NYSE: SFL) since March 2012. From 2008 until 2012, Mr. Gurvin served as Senior Vice President at Ship Finance. Prior to joining Ship Finance in 2006, he spent seven years with the global shipping group of Fortis Bank in Oslo, focusing on shipping and offshore finance. Mr. Gurvin holds a Master of Science degree in Shipping, Trade and Finance from CASS Business School and a Master of Science degree in Marine Engineering and Naval Architecture from the Norwegian University of Science and Technology.

## B. Compensation

Our Board of Directors is responsible for establishing the executive officers' compensation and benefits. Under Bermuda law, compensation of the executive officers is not required to be determined by an independent committee. Our Board of Directors' process for determining our executive management's remuneration aims to link the performance related element of the remuneration (options and bonus) to value creation for shareholders.

The remuneration of the members of the Board of Directors is determined annually by at our General Meeting, on the basis of the Board of Directors' responsibility, expertise, time commitment and the complexity of our operations. Through our remuneration of directors, part of which has historically been in stock, we have encouraged directors to own our ordinary shares. Remuneration is not linked to our financial or operating performance.

During the year ended December 31, 2018, we paid aggregate cash compensation of approximately \$0.9 million and an aggregate amount of approximately \$0.1 million for pension, social security and retirement benefits to our directors and executive officers. In addition, we recognized stock and share option compensation of approximately \$0.2 million in respect of remuneration to the Board of Directors and share options granted to management pursuant to our Share Option Scheme, as discussed below.

The following table sets out the aggregate 2017 and 2018 compensation to our Directors:

<b>Director</b>	<b>Directors' Fees for 2018</b>	<b>Directors' Fees for 2017</b>
David McManus	\$ 100,000	\$ 100,000
Marius Hermansen	\$ 40,000	\$ 40,000
Ola Lorentzon	\$ 40,000	\$ 20,000
Nikolai Grigoriev	\$ 40,000	\$ 11,000
Georgina Sousa (former director)	\$ 9,484	\$ 5,000
Robin Bakken (former director)	-	\$ 14,000
<b>Total</b>	<b>\$ 229,484</b>	<b>\$ 190,000</b>

### Share Option Scheme

On September 7, 2018, our Board of Directors approved our Share Option Scheme, which provides for share options to be granted to directors, officers and eligible employees of the Company and its subsidiaries. The Share Option Scheme was designed to align employees with shareholder value creation and to retain persons. Share options granted under our Share Option Scheme are fully paid ordinary shares of par value U.S. \$0.10. No consideration shall be payable to the Company for the grant of an option. The option shall entitle the option holder to subscribe for shares at a price per share equal to the subscription price at the date the option is exercised. The share option scheme shall terminate on the earlier of the following dates: (a) the date (if any) determined by our Board of Directors to be the date of termination of the scheme; and (b) the tenth anniversary of the Adoption Date, meaning the date on which the scheme is approved by our Board of Directors.

On September 7, 2018, our Board of Directors granted an aggregate of 111,000 share options to our senior management in accordance with the terms of the Share Option Scheme. Each option granted pursuant to the Share Option Scheme will have a five-year term and will vest in equal amounts over a three-year vesting period. The options have an exercise price of \$14.30 per share, the market price of the options on the date of grant, which will be adjusted for any distribution of dividends made before the relevant options are exercised and has been retroactively adjusted to reflect the one-to-ten reverse stock split which was effective from March 7, 2019.

On November 1, 2018, our Board of Directors granted 30,000 share options to Mr. Gurvin in connection with his appointment as our Chief Financial Officer of Flex LNG Management AS, in accordance with the terms of the Share Option Scheme. Each option granted pursuant to the Share Option Scheme will have a five-year term and will vest in equal amounts over a three-year vesting period. The options have an exercise price of \$17.60 per share, the market price of the options on the date of grant, which will be adjusted for any distributions or dividends made before the relevant options are exercised and has been retroactively adjusted to reflect the one-to-ten reverse stock split which was effective from March 7, 2019.

## C. Board Practices

Our Board of Directors maintains overall responsibility of the Company and its strategy and is entrusted with various tasks including appointment and supervision of our management team and establishment of strategic, accounting, organizational and financial policies.

We have established an Audit Committee which is responsible for overseeing the quality and integrity of our financial statements and its accounting, auditing and financial reporting practices, our compliance with legal and regulatory requirements and the independent auditor's qualifications, independence and performance. Our audit committee consists of one independent director, Mr. Nikolai Grigoriev, who our Board of Directors has determined qualifies as an "audit committee financial expert" for purposes of the U.S. Securities and Exchange Commission, or the SEC, rules and regulations.

We have not established a nomination committee. Our Board of Directors is responsible for identifying and recommending potential candidates to become board members and recommending directors for appointment to board committees. Shareholders are permitted to identify and recommend potential candidates to become board members, but pursuant to our Bye-Laws, directors are elected by the shareholders in duly convened annual or special general meetings

We have not established a compensation committee. Our Board of Directors is responsible for establishing our executive officers' compensation and benefits. Under Bermuda law, compensation of the executive officers is not required to be determined by an independent committee.

### Corporate Governance Practices

Pursuant to an exception under the NYSE listing standards available to foreign private issuers, we are not required to comply with many of the corporate governance practices followed by U.S. companies under the NYSE listing standards. Accordingly, we are exempt from many of NYSE's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification of material non-compliance with NYSE corporate governance practices and the establishment and composition of an audit committee and a formal written audit committee charter. In connection with the expected listing of our ordinary shares on the NYSE, we will certify to the NYSE that our corporate governance practices are in compliance with, and are not prohibited by, Bermuda law. Set forth below is a list of the significant differences between our corporate governance practices and NYSE standards applicable to listed U.S. companies.

*Independence of Directors.* The NYSE requires that a U.S.-listed company maintain a majority of independent directors. Our Board of Directors consists of four directors, all of which are considered "independent" under Rule 10A-3 promulgated under the Exchange Act and under the rules of the NYSE. Under Bermuda law and our organizational documents, our Board of Directors is not required to consist of a majority of independent directors and in the future our Board of Directors may be comprised of directors a majority of which are not independent.

*Audit Committee.* The NYSE requires, among other things, that a listed U.S. company have an audit committee comprised of three entirely independent directors. As permitted under Bermuda law and our bye-laws, our audit committee is comprised of one independent director.

*Executive Sessions.* The NYSE requires that the independent directors of a U.S. listed company have regularly scheduled meetings at which only independent directors are present, or executive sessions. Bermuda law has no such requirement and as such we do not hold executive sessions.

*Nominating Committee and Compensation Committee.* The NYSE requires that a listed U.S. company have nominating and compensation committees consisting only of independent directors. Under Bermuda law and our organizational documents, we are not required to have nominating committee or a compensation committee and such committees are not required to consist entirely of independent directors. Accordingly, we do not have a nominating committee or a compensation committee.

*Corporate Governance Guidelines.* The NYSE requires U.S. companies to adopt and disclose corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. Such guidelines are not required under Bermuda law and as such we have not adopted such guidelines.

In addition, in lieu of obtaining shareholder approval prior to the issuance of securities, we plan to obtain only the approval of our Board of Directors for such issuances, consistent with Bermuda law and our bye-laws.

As a foreign private issuer, we are not required to solicit proxies or provide proxy statements for all shareholder meetings to the NYSE pursuant to the NYSE corporate governance rules or Bermuda law. Consistent with the laws of Bermuda, our bye-laws also require that we notify our shareholders of meetings by no less than 5 days before the meeting. This notification must contain, among other things, information regarding business to be transacted at the meeting.

#### **D. Employees**

As of December 31, 2018, we employed six people through our subsidiaries Flex LNG Management Limited and Flex LNG Management AS.

#### **E. Share Ownership**

The table below shows, in relation to each of our directors and officers, the total number of ordinary shares beneficially owned as of April 1, 2019.

<b>Name</b>	<b>Ordinary shares (1)</b>	<b>Percentage of ordinary shares outstanding</b>
David McManus	89,984	*
Marius Hermansen	6,168	*
Ola Lorentzon	2,159	*
Nikolai Grigoriev	5,993	*
Oystein Kalleklev	10,000	*
Harald Gurvin	5,000	*

\* Less than 1% of our outstanding shares.

(1) Not including options to purchase ordinary shares.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. Major Shareholders

The following table sets forth the beneficial ownership of our ordinary shares, par value \$0.10 per share, as of April 1, 2019 by beneficial owners of 5% or more of the ordinary shares. All of our issued ordinary shares have equal voting rights and are equally entitled to dividends.

Name	Ordinary Shares Beneficially Owned	
	Number	Percentage <sup>(1)</sup>
Geveran Trading Co. Ltd. (2)	24,133,811	44.6%

- (1) Calculated based on 54,103,993 ordinary shares outstanding as of April 1, 2019.
- (2) Geveran is a Cyprus holding company, indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family. Mr. Fredriksen disclaims beneficial ownership of the 24,133,811 ordinary shares, except to the extent of his voting and dispositive interests in such ordinary shares and Mr. Fredriksen has no pecuniary interest in such shares.

When this registration statement is declared effective by the SEC, we expect that all of our shares will be issued through the Depository Trust Company ("DTC") and held by Cede & Co., the nominee of DTC. In the past three years, there has been a significant change in Geveran's percentage ownership of the Company. Please see "Item 4. Information on the Company—A. History and Development of the Company—Share Issuances and Financing Transactions."

### B. Related Party Transactions

#### *General Management Agreements*

We have an administrative services agreement with Frontline Management under which they provide us with certain administrative support services, for which we pay our allocation of the actual costs they incur on our behalf, plus a margin. In the year ended December 31, 2018, we paid Frontline Management \$0.2 million (excluding newbuilding supervision) for these services (2017: \$1 million). As of December 31, 2018, we had a receivable of \$1.1 million from Frontline Management (2017: \$0.0 million).

We also have an agreement with Seatankers under which they provide us with certain advisory and support services, for which we pay our allocation of the actual costs they incur on our behalf, plus a margin. In the year ended December 31, 2018, we paid Seatankers \$0.6 million for such services (2017: \$0.3 million). As of December 31, 2018, we had a receivable of \$0.7 million from Seatankers (2017: \$0.0 million).

#### *Financing Arrangements*

On March 7, 2017, we, through our wholly-owned subsidiary, Flex LNG Fleet Limited, entered into the \$270 Million Revolving Credit Facility with Sterna, a company related to Geveran. For a description of the \$270 Million revolving Credit Facility with Sterna, please see "Item. 5 Operating and Financial Review and Prospects— B. Liquidity and Capital Resources."

#### *Vessel Acquisitions*

Our agreements to acquire the *Flex Enterprise*, the *Flex Endeavor*, the *Flex Aurora*, the *Flex Amber* and the October 2018 Newbuildings were all with counterparties that are related to our largest shareholder, Geveran. The purchase price for these vessels were negotiated based on the parties' assessment of the construction cost for similar types of vessels at the time of entering into the agreements, and was supported by fairness opinions that we obtained from independent financial advisors. For a description of these transactions, please see "Item 4. Information on the Company—B. Business Overview—Fleet Development."

### *Newbuilding Supervision*

We received newbuilding supervision services from Frontline Management for two of our vessels that were under construction at SHI, the *Flex Ranger* and the *Flex Rainbow*, and two of our vessels that were under construction at DSME, the *Flex Enterprise* and *Flex Endeavour*. In consideration for these services, we paid Frontline Management a monthly fee of \$115,745 for each of our vessels under construction. These agreements terminated on the last day of the month in which the respective vessel was delivered to the Company. For the year ended December 31, 2018, we paid Frontline Management \$1.5 million for these services (2017: \$4.4 million).

### *Technical Management and Support Services*

We receive technical management supervision and other support services from Frontline Management for our Operating Vessels. These services include technical supervision, purchase of goods and services within the ordinary course of business, insurances and other services relating to our Operating Vessels. Frontline Management may subcontract these services to Frontline Management AS or other associates companies. Frontline Management will provide quarterly invoices for services rendered and in addition receive a monthly payment of \$2,772 for each Operating Vessel. Each of the parties may terminate the contract on three months' notice. The fee is subject to annual review.

#### **C. Interest of Experts and Counsel**

Not applicable.

### **ITEM 8. FINANCIAL INFORMATION**

#### **A. Consolidated Statements and other Financial Information**

Please see the section of this registration statement on Form 20-F entitled "Item 18. Financial Statements."

#### **Legal Proceedings**

To our knowledge, we are not currently a party to any lawsuit that, if adversely determined, would have a material adverse effect on our financial position, results of operations or liquidity. As such, we do not believe that pending legal proceedings, taken as a whole, should have any significant impact on our financial statements.

From time to time in the future we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. While we expect that these claims would be covered by our existing insurance policies, those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We have not been involved in any legal proceedings which may have, or have had, a significant effect on our financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our financial position, results of operations or liquidity.

#### **Dividend Policy**

We do not expect to pay dividends in the near term, which at all times will be considered in the sole discretion of our board of directors.

Holders of ordinary shares are entitled to receive dividend and distribution payments, pro rata based on the number of ordinary shares held, when, as and if declared by the Board, in its sole discretion. Any future dividends declared will be at the discretion of the Board and will depend upon our financial condition, earnings and other factors.

As a Bermuda exempted company, we are subject to Bermuda law relating to the payment of dividends. We may not pay any dividends if, at the time the dividend is declared or at the time the dividend is paid, there are reasonable grounds for believing that, after giving effect to that payment;

- we will not be able to pay our liabilities as they fall due; or
- the realizable value of our assets, is less than our liabilities.

In addition, since we are a holding company with no material assets, and conduct our operations through subsidiaries, our ability to pay any dividends to shareholders will depend on our subsidiaries' distributing to us their earnings and cash flow. Some of our loan agreements currently limit or prohibit our subsidiaries' ability to make distributions to us and our ability to make distributions to our shareholders.

We can give no assurance that dividends will be declared and paid in the future or the amount of such dividends if declared and paid.

**B. Significant Changes**

Not applicable.

**ITEM 9. THE OFFER AND LISTING**

**A. Offer and Listing Details.**

**Share History and Markets**

Our ordinary shares currently trade on the Oslo Stock Exchange (the "OSE") under the symbol "FLNG". See "Item 10. Additional Information—A. Share Capital."

**B. Plan of Distribution**

Not applicable.

**C. Markets.**

Our ordinary shares currently trade on the OSE under the symbol "FLNG" and we have applied to list the ordinary shares for trading on the NYSE under the symbol "FLNG" promptly after the effectiveness of this registration statement. There is no assurance that an active and liquid trading market for our ordinary shares will develop or be sustained in the United States or that we will continue to meet NYSE's continued listing requirements.

**D. Selling Shareholders**

Not applicable.

**E. Dilution**

Not applicable.

**F. Expenses of the Issue**

Not applicable.

## **ITEM 10. ADDITIONAL INFORMATION**

### **A. Share Capital**

This section summarizes our share capital and the material provisions of our Memorandum of Continuance and Bye-Laws, including the rights of the holders of our shares. The description is only a summary and does not describe everything contained in our Memorandum of Continuance and Bye-Laws, which are filed as an exhibit hereto.

#### **Issued and Authorized Capitalization**

On March 7, 2019, we effected a 1-for-10 reverse stock split of our then-outstanding ordinary shares. The reverse stock split reduced the number of our issued and outstanding ordinary shares from 541,043,903 shares to 54,103,993 shares and affected all issued and outstanding ordinary shares. The number of our authorized ordinary shares was consequently reduced from 100,000,000,000 to 10,000,000,000 and the par value increased from \$0.01 per share to \$0.10 per share. The terms of our ordinary shares were not affected by the reverse stock split. No fractional shares were issued in connection with the reverse stock split. Shareholders of record who would have otherwise been entitled to receive a fractional share as a result of the reverse stock split received a cash payment in lieu thereof.

#### **Our Share History**

Please refer to "Item 4. Information on the Company."

#### **Treasury Shares**

As of April 1, 2019, we do not have any treasury shares.

### **B. Memorandum of Continuance**

Our corporate affairs are governed by our memorandum of continuance, or the Memorandum of Continuance, our bye-laws, or the Bye-Laws, and by the Bermuda Companies Act 1981, as amended, or the Companies Act. The full text of our Memorandum of Continuance and Bye-Laws, attached as Exhibits 1.1 and 1.2 hereto, is hereby incorporated by reference into this registration statement.

You should be aware that the Companies Act differs in certain material respects from the laws generally applicable to U.S. companies incorporated in the State of Delaware. Accordingly, you may have more difficulty protecting your interests under Bermuda law in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction, such as the State of Delaware.

The Bye-Laws were adopted by our shareholders on June 8, 2017.

#### **Purpose**

The purposes and powers of the Company are set forth in Items 6 and 7 of the Memorandum of Continuance. The Company has the capacity, rights, powers and privileges of a natural person, and the objects of the Company are unrestricted.

#### **Voting Rights**

The holders of our ordinary shares will be entitled to one vote per share on each matter requiring the approval of the holders of the ordinary shares. At any annual or special general meeting of shareholders where there is a quorum, a simple majority vote will generally decide any matter, unless a different vote is required by express provision of the Bye-Laws or the Companies Act.



The Companies Act and our Bye-Laws do not confer any conversion or sinking fund rights attached to our ordinary shares.

### **Preemptive Rights**

Bermuda law does not provide a shareholder with a preemptive right to subscribe for additional issues of a company's shares unless, and to the extent that, the right is expressly granted to the shareholder under the bye-laws of a company or under any contract between the shareholder and the company.

Holders of our ordinary shares do not have any preemptive rights pursuant to the Bye-Laws.

### **Repurchase of Shares**

Subject to the Companies Act, the Memorandum of Continuance and the Bye-Laws, our board of directors may from time to time repurchase any ordinary shares for cancellation or to be held as treasury shares.

Holders of our ordinary shares, however, do not have any right to require the Company to purchase their shares pursuant to the Bye-Laws.

### **Redemption of Preference Shares**

The Company may with the approval of the shareholders issue preference shares which are redeemable at the option of the Company or the holder, subject to the Companies Act, the Memorandum of Continuance and the Bye-Laws.

### **Call on Shares**

Pursuant to the Bye-Laws, our board of directors may from time to time make calls upon our shareholders in respect of any moneys unpaid on their shares.

### **Reduction of Share Capital**

Subject to the Companies Act, the Memorandum of Continuance and the Bye-Laws, our shareholders may by resolution authorize the reduction of the Company's issued share capital or any capital redemption reserve fund or any share premium or contributed surplus account in any manner.

### **Dividend and Other Distributions**

Under the Companies Act, a company may, subject to its bye-laws and by resolution of the directors, declare and pay a dividend, or make a distribution out of contributed surplus, provided there are reasonable grounds for believing that after any such payment (a) the company will be solvent and (b) the realizable value of its assets will be greater than its liabilities.

The Bye-Laws provide that our board of directors from time to time may declare cash dividends or distributions out of contributed surplus to be paid to the shareholders according to their rights and interests including such interim dividends as appear to be justified by the position of the Company.

### **Board of Directors**

The Bye-Laws provide that our board of directors shall consist of not less than two members and shall at all times comprise a majority of directors who are not residents in the United Kingdom. Our shareholders may change the number of directors by the vote of shareholders representing a simple majority of the total number of votes which may be cast at any annual or special general meeting, or by written resolution. Each director is elected at an annual general meeting of shareholders for a term commencing upon election and each director shall serve until re-elected or their successors are appointed on the date of the next scheduled annual general meeting of shareholders. The Bye-Laws do not permit cumulative voting for directors.

Subject to the Companies Act, the Bye-Laws permit our directors to engage in any transaction or arrangement with us or in which we may otherwise be interested. Additionally, as long as our director declares the nature of his or her interest at the first opportunity at a meeting of our board of directors, he or she shall not by reason of his office be accountable to us for any benefit which he or she derives from any transaction to which the Bye-Laws permit him or her to be interested.

Our directors are not required to retire because of their age and are not required to be holders of our ordinary shares.

### **Removal of Directors and Vacancies on the Board**

Under the Companies Act, any director may be removed, with or without cause, by a vote of the majority of shareholders if the bye-laws so provide. A company may remove a director by specifically convening a special general meeting of the shareholders. The notice of any such special general meeting must be served on the director concerned no less than fourteen (14) days before the special general meeting. The affected director is entitled to be heard at that special general meeting.

The Bye-Laws provide that directors may be removed, with or without cause, by a vote of the shareholders representing a majority of the votes present and entitled to vote at a special general meeting called for that purpose. The notice of any such special general meeting must be served on the director concerned no less than 14 days before the special general meeting and he or she shall be entitled to be heard at that special general meeting.

Any director vacancy created by the removal of a director from our board of directors at a special general meeting may be filled by the election of another director in his place by a majority vote of the shareholders entitled to vote at the special general meeting called for the purpose of removal of that director, or in the absence of such election, by our board of directors. Our board of directors may fill casual vacancies so long as quorum of directors remains in office. Each director elected to our board of directors to fill a vacancy shall serve until the next annual general meeting of shareholders and until a successor is duly elected and qualified or until such director's resignation or removal.

### **Quorum and Action by the Board of Directors**

The Bye-Laws provide that at any meeting of our board of directors (which must be held outside of the United Kingdom or Norway), the presence of the majority of our board of directors, unless otherwise fixed, constitutes a quorum for the transaction of business and that when a quorum is present, the acts of a majority of the directors present at any meeting shall be the acts of our board of directors, except as may be otherwise specified by Bermuda law or the Bye-Laws. A quorum shall not be present unless a majority of directors present are neither resident in Norway nor physically located or resident in the United Kingdom.

A resolution in writing signed by all directors for the time being entitled to receive notice of a meeting of our board of directors shall be as valid and effectual as a resolution passed at a meeting of our board of directors.

A meeting of our board of directors or committee appointed by our board of directors shall be deemed to take place at the place where the largest group of participating directors or committee members has assembled or, if no such group exists, at the place where the chairman of the meeting participates. In no event shall the place where the largest group of participating directors or committee members has assembled or, if no such group exists, the place where the chairman of the meeting participates, provided that in such event, the meeting shall be chaired by a director or a committee member who is not resident in Norway nor physically located nor resident in the United Kingdom. Our board of directors or a relevant committee shall use its best endeavors to ensure that any such meeting is not deemed to have been held in Norway or the United Kingdom, and the fact that one or more directors may be present at such teleconference by virtue of his being physically in Norway or the United Kingdom shall not deem such meeting to have taken place in Norway or the United Kingdom.

## **Duties of Directors and Officers; Limitation of Liability**

Under Bermuda law, directors and officers shall discharge their duties in good faith and with that degree of diligence, care and skill which reasonably prudent people would exercise under similar circumstances in like positions. In discharging their duties, directors and officers may rely upon financial statements of the company represented to them to be correct by the president or the officer having charge of its books or accounts or by independent accountants.

The Companies Act provides that a company's bye-laws may include a provision for the elimination or limitation of liability of a director to the company or its shareholders for any loss arising or liability attaching to him by virtue of any rule of law in respect to any negligence, default, breach of any duty or breach of trust of which the director may be guilty of; provided that such provision shall not eliminate or limit the liability of a director for any fraud or dishonesty he may be guilty of.

The Bye-Laws limit the liability of our directors and officers to the fullest extent permitted by the Companies Act.

## **Director Indemnification**

Bermuda law permits the bye-laws of a Bermuda company to contain a provision indemnifying the company's directors and officers for any loss arising or liability attaching to him or her by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the officer or person may be guilty, save with respect to fraud or dishonesty. Bermuda law also grants companies the power generally to indemnify directors and officers of a company, except in instances of fraud and dishonesty, if any such person was or is a party or threatened to be made a party to a threatened, pending or completed action, suit or proceeding by reason of the fact that he or she is or was a director and officer of such company or was serving in a similar capacity for another entity at such company's request.

The Bye-Laws provide that each director, alternate director, officer, person or member of a board committee, if any, resident representative, and his or her heirs, executors or administrators, collectively, Indemnitees, will be indemnified and held harmless out of our assets to the fullest extent permitted by Bermuda law against all liabilities, loss, damage or expense (including but not limited to liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable) incurred or suffered by him or her as such director, alternate director, officer, person or committee member or resident representative. The restrictions on liability, indemnities and waivers provided for in the Bye-Laws do not extend to any matter that would render the same void under the Companies Act. In addition, each Indemnitee shall be indemnified out of our assets against all liabilities incurred in defending any proceedings, whether civil or criminal, in which judgment is given in such Indemnitee's favor, or in which he or she is acquitted.

Under the Bye-Laws, shareholders have further agreed to waive any claim or right of action they may have at any time against any Indemnitee on account of any action taken by such Indemnitee or the failure of such Indemnitee to take any action in the performance of his or her duties with or for the Company with the exception of any claims or rights of action arising out of fraud or dishonesty

## **Shareholder Meetings**

Under the Companies Act, an annual general meeting of the shareholders shall be held for the election of directors on any date or time as designated by or in the manner provided for in the bye-laws and held at such place within or outside Bermuda as may be designated in the bye-laws. Any other proper business may be transacted at the annual general meeting.

Under the Companies Act, any meeting that is not the annual general meeting is called a special general meeting, and may be called by a board of directors or by such persons as authorized by the company's memorandum of association or bye-laws. Under the Companies Act, holders of one-tenth of a company's issued ordinary shares may also call special general meetings. At such special general meeting, only business that is related to the purpose set forth in the required notice may be transacted. Additionally, under Bermuda law, a company may, by resolution at a special general meeting, elect to dispense with the holding of an annual general meeting for (a) the year in which it is made and any subsequent year or years; (b) for a specified number of years; or (c) indefinitely.

Under the Companies Act, notice of any general meeting must be given not less than five (5) days before the meeting and shall state the place, date and hour of the meeting and, in the case of a special general meeting, shall also state the purpose of such meeting and the that it is being called at the direction of whoever is calling the meeting. Under Bermuda law, accidental failure to give notice will not invalidate proceedings at a general meeting.

*Annual General Meetings.* The Bye-Laws provide that our board of directors may fix the date, time and place of the annual general meeting within or without Bermuda (but never in the United Kingdom or Norway) for the election of directors and to transact any other business properly brought before the meeting.

*Special General Meetings.* The Bye-Laws provide that special general meetings may be called by our board of directors and when required by the Companies Act (*i.e.*, by holders of one-tenth of a company's issued ordinary shares through a written request to our board of directors), but in no event shall the special meeting be held in Norway or the United Kingdom.

*Notice Requirements.* The Bye-Laws provide that we must give not less than five (5) days' notice before any annual or special general meeting.

### **Quorum of Shareholders**

Under the Companies Act, where the bye-laws so provide, a general meeting of the shareholders of a company may be held with only one individual present if the requirement for a quorum is satisfied and, where a company has only one shareholder or only one holder of any class of shares, the shareholder present in person or by proxy constitutes a general meeting.

Unless otherwise provided in the Bye-Laws, quorum at annual or special general meetings shall be constituted by at least two or more shareholders either present in person or represented by proxy. If we only have one shareholder, then one shareholder present in person or proxy shall constitute the necessary quorum.

### **Shareholder Action without a Meeting**

Under the Companies Act, unless the company's bye-laws provide otherwise, any action required to or that may be taken at an annual or general meeting can be taken without a meeting if a written consent to such action is signed by the necessary majority of the shareholders entitled to vote with respect thereto.

The Bye-Laws provide that, except in the case of the removal of auditors and directors, anything which may be done by resolution may, without an annual or special general meeting be done by resolution in writing, signed by a simple majority of all the shareholders or their proxies (or such greater majority required by the Companies Act).

### **Shareholder's Rights to Examine Books and Records**

Under the Companies Act, any shareholder, during the usual hours of business, may inspect, for a purpose reasonably related to his or her interest as a shareholder, and make copies of extracts from the share register, and minutes of all general meetings.

### **Amendments to Memorandum of Continuance**

Under Bermuda law, a company may, by resolution passed at an annual or special general meeting of shareholders, alter the provisions of the memorandum of association or memorandum of continuance. An application for alteration can only be made by (i) holders of not less in the aggregate than 20% in par value of a company's issued share capital, (ii) by holders of not less in the aggregate that 20% of the company's debentures entitled to object to alterations to the memorandum, or (iii) in the case a company that is limited by guarantee, by not less than 20% of the shareholders.

## **Variation in Shareholder Rights**

Under Bermuda law, if at any time a company has more than one class of shares, the rights attaching to any class, unless otherwise provided for by the terms of issue of the relevant class, the rights attached to any class of share may be varied with (i) the consent in writing of the holders of 75% in nominal value of the issued shares of that class, or (ii) the sanction of a resolution passed at a separate general meeting of holders of the shares of the class at which a quorum consisting of at least two persons holding or representing of one-third of the issued shares of the relevant class is present.

The Bye-Laws may be amended from time to time in the manner provided for in the Companies Act.

## **Vote on Amalgamations, Mergers, Consolidations and Sales of Assets**

Under the Bye-Laws, our board of directors may, with the approval of a majority of our shareholders, amalgamate the Company with another company (whether or not such an amalgamation involves a change in the jurisdiction of the Company) or merge the Company with another company (whether or not the Company is the surviving company and whether or not such a merger involves a change in the jurisdiction of the Company).

## **Appraisal and Dissenters Rights**

Under Bermuda law, in the event of an amalgamation or a merger of a Bermuda company with another company or corporation, a shareholder of the Bermuda company who did not vote in favor of the amalgamation or merger and is not satisfied that fair value has been offered for such shareholder's shares may, within one month of notice of the special general meeting, apply to the Supreme Court of Bermuda to appraise the fair value of those shares.

## **Derivative Actions**

Class actions and derivative actions are generally not available to shareholders under Bermuda law. Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company, or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it. However, generally a derivative action will not be permitted where there is an alternative action available that would provide an adequate remedy. Any property or damages recovered by derivative action go to the company, not to the plaintiff shareholders. When the affairs of a company are being conducted in a manner which is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company or that the company be wound up.

A statutory right of action is conferred on subscribers to shares of a Bermuda company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement contained in the prospectus, but this confers no right of action against the Bermuda company itself. In addition, subject to any limitations that may be contained in the company's bye-laws, a shareholder may bring a derivative action on behalf of the company to enforce a right of the company (as opposed to a right of its shareholders) against its officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

The Bye-Laws contain provisions whereby each shareholder (i) agrees that the liability of our officers shall be limited, (ii) agrees to waive any claim or right of action such shareholder might have, whether individually or in the right of the Company, against any director, alternate director, officer, person or member of a committee, resident representative or any of their respective heirs, executors or administrators for any action taken by any such person, or the failure of any such person to take any action, in the performance of his or her duties, or supposed duties, to the Company or otherwise, and (iii) agrees to allow us to indemnify and hold harmless our officers and directors in respect of any liability attaching to such officer and director incurred by him or her as an officer or director of the Company. The restrictions on liability, indemnity and waiver do not extend to any liability of an officer or director for fraud or dishonesty.

## **Liquidation**

Under Bermuda Law, in the event of our liquidation, dissolution or winding up, the holders of ordinary shares are entitled to share in our assets, if any, remaining after the payment of all of our debts and liabilities, subject to any liquidation preference on any outstanding preference shares.

## **Listing**

Our ordinary shares are listed on the OSE under the symbol "FLNG". We have applied to list our current issued and outstanding ordinary shares, registered hereby, for trading on the NYSE under the symbol "FLNG" promptly after the effectiveness of this registration statement.

## **Transfer Agent**

The transfer agent for our ordinary shares is expected to be Broadridge Financial Services ("Broadridge").

## **C. Material Contracts**

Attached as exhibits to this registration statement are the contracts we consider to be both material and outside the ordinary course of business that are to be performed in whole or in part after the date of this registration statement or entered into no more than two years before such date. Other than as set forth above, we have not entered into any material contracts outside the ordinary course of business other than those described in "Item 4. Information on the Company" and in "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Our Borrowing Activities" or elsewhere in this registration statement, which are incorporated herein by reference.

## **D. Exchange Controls**

The Bermuda Monetary Authority, or the BMA, must give permission for all issuances and transfers of securities of a Bermuda exempted company like ours, unless the proposed transaction is exempted by the BMA's written general permissions. We have received general permission from the BMA to issue any unissued ordinary shares and for the free transferability of our ordinary shares as long as our ordinary shares are listed on an "appointed stock exchange". Our ordinary shares are listed on the OSE, which is an "appointed stock exchange". Our ordinary shares may therefore be freely transferred among persons who are residents and non-residents of Bermuda.

Although we are incorporated in Bermuda, we are classified as a non-resident of Bermuda for exchange control purposes by the BMA. Other than transferring Bermuda Dollars out of Bermuda, there are no restrictions on our ability to transfer funds into and out of Bermuda or to pay dividends to U.S. residents who are holders of ordinary shares or other non-residents of Bermuda who are holders of our ordinary shares in currency other than Bermuda Dollars.

## **E. Taxation**

### **U.S. Federal Income Tax Considerations**

The following discussion summarizes the material U.S. federal income tax consequences and certain non-U.S. tax consequences to U.S. Holders and Non-U.S. Holders, each as defined below, of the acquisition, ownership and disposition of our ordinary shares received pursuant to this registration statement, and of certain U.S. federal income tax consequences to our Company. This summary does not purport to deal with all aspects of U.S. federal income taxation that may be relevant to an investor's decision to purchase our ordinary shares, or any tax consequences arising under the laws of any state, locality or foreign jurisdiction. This summary is not intended to be applicable to all categories of investors, such as dealers in securities, banks, thrifts or other financial institutions, insurance companies, regulated investment companies, tax-exempt organizations, U.S. expatriates, persons that hold the ordinary shares as part of a straddle, wash sale or conversion transaction, persons who own, directly or constructively, 10% or more of our outstanding stock, persons deemed to sell the ordinary shares under the constructive sale provisions of the U.S. Internal Revenue Code of 1986, as amended, or the Code, persons whose "functional currency" is other than the U.S. dollar, or persons required to recognize income for U.S. federal income tax purposes no later than when such income is reported on an "applicable financial statement", each of which may be subject to special rules. This discussion also does not describe all of the tax consequences that may be relevant to an investor, including alternative minimum tax or unearned income Medicare contribution tax. In addition, this discussion is limited to persons who hold ordinary shares as "capital assets" (generally, property held for investment) within the meaning of Code Section 1221.



If an entity treated as a partnership for U.S. federal income tax purposes holds the ordinary shares, the U.S. federal income tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding the ordinary shares are encouraged to consult their own tax advisors.

In the opinion of Seward & Kissel LLP, our U.S. counsel, the following are the material U.S. federal income tax consequences to us of our activities and to U.S. Holders and Non-U.S. Holders, each as defined below, of our ordinary shares. Seward & Kissel LLP has assumed that the Company will be operated as described herein. The following discussion of U.S. federal income tax matters is based on the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Department of the Treasury, each of which as is in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect. Except as otherwise noted, this discussion is based on the assumption, as currently expected, that we will not maintain an office or other fixed place of business within the United States. References in the following discussion to "we" and "us" are to FLEX LNG Ltd. and its subsidiaries on a consolidated basis.

### *U.S. Taxation of our Company*

Shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States will be considered to be 50% derived from sources within the United States. Shipping income attributable to transportation that both begins and ends in the United States will be considered to be 100% derived from sources within the United States. We are not permitted by law to engage in transportation that gives rise to 100% U.S. source income.

Shipping income attributable to transportation exclusively between non-U.S. ports will be considered to be 100% derived from sources outside of the United States. Shipping income derived from sources outside of the United States will not be subject to U.S. federal income tax.

Unless exempt from U.S. federal income tax under section 883 of the Code, we will be subject to U.S. federal income tax, in the manner discussed below, to the extent our shipping income is derived from sources within the United States.

#### *Application of Section 883 of the Code*

Under section 883 of the Code and the Treasury Regulations promulgated thereunder, we, and each of our subsidiaries, will be exempt from U.S. federal income taxation on our respective U.S. source shipping income if, in addition to satisfying certain substantiation and reporting requirements, both of the following conditions are met:

- we and each subsidiary are organized in a "qualified foreign country," defined as a country that grants an equivalent exemption from tax to corporations organized in the United States in respect of the shipping income for which exemption is being claimed under section 883 of the Code; this is also known as the "Country of Organization Requirement"; and
- either
  - o more than 50% of the value of our stock is treated as owned, directly or indirectly, by individuals who are "residents" of qualified foreign countries; this is also known as the "Ownership Requirement"; or
  - o our stock is "primarily and regularly traded on an established securities market" in the United States or any qualified foreign country; this is also known as the "Publicly-Traded Requirement."

The U.S. Treasury Department has recognized (i) Bermuda, our country of incorporation and at least one of our subsidiaries, and (ii) the Republic of the Marshall Islands, the country of incorporation of certain of our vessel-owning subsidiaries that has earned shipping income from sources within the United States as qualified foreign countries. Accordingly, we and each such subsidiary satisfy the Country of Organization Requirement.



Due to the public nature of our shareholdings, we do not believe that we will be able to substantiate that we satisfy the Ownership Requirement. However, as described below, we believe that we may be able to satisfy the Publicly-Traded Requirement.

The Treasury Regulations under section 883 of the Code provide that a foreign corporation will meet the Publicly-Traded Requirement if one or more classes of its stock representing, in the aggregate, more than 50% of the combined voting power and total value of the stock of the corporation is "primarily and regularly traded on an established securities market." Our ordinary shares represents more than 50% of the combined voting power and total value of our stock.

A class of stock will be considered to be "primarily traded" on an "established securities market" if the number of shares of each class of such stock that is traded during the taxable year on all "established securities markets" in that country exceeds the number of shares in each such class that are traded during that year on "established securities markets" in any other single country. Our stock is currently traded on the OSE and is expected to be traded on the NYSE. It is currently expected that our ordinary shares will be considered to be "primarily traded" on the OSE, an "established securities market" for purposes of Code section 883.

Under the Treasury Regulations, a class of stock will be considered to be "regularly traded" on an "established securities market" if one or more classes of stock of the corporation representing more than 50% of the total combined voting power of all classes of stock entitled to vote and of the total value of the stock of the corporation are listed on such market during the taxable year. Since our common shares, which constitute more than 50% of the total combined voting power and total value of our stock, are listed on the OSE, we expect to satisfy the Listing Requirement.

The Treasury Regulations further require that with respect to each class of stock relied upon to meet the Listing Requirement: (i) such class of stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one-sixth of the days in a short taxable year; this is also known as the "Trading Frequency Test"; and (ii) the aggregate number of shares of such class of stock traded on such market is at least 10% of the average number of shares of such class of stock outstanding during such year, or as appropriately adjusted in the case of a short taxable year; this is also known as the "Trading Volume Test."

We anticipate that our ordinary shares will satisfy the Trading Frequency Test and the Trading Volume Test. Even if this were not the case, the Treasury Regulations provide that the Trading Frequency Test and the Trading Volume Test will be deemed satisfied by a class of stock if, as we expect to be the case with our ordinary shares, such class of stock is traded on an "established securities market" in the United States and such class of stock is regularly quoted by dealers making a market in such stock.

Notwithstanding the foregoing, the Treasury Regulations provide that our ordinary shares will not be considered to be "regularly traded" on an "established securities market" for any taxable year in which 50% or more of the outstanding ordinary shares, by vote and value, are owned, for more than half the days of the taxable year, by persons who each own, directly or indirectly, 5% or more of the vote and value of the outstanding ordinary shares; this is also known as the "5% Override Rule." The 5% Override Rule will not apply, however, if in respect of each category of shipping income for which exemption is being claimed, we can establish that individual residents of qualified foreign countries, or "Qualified Shareholders," own sufficient ordinary shares to preclude non-Qualified Shareholders from owning (excluding, for this purpose, any share of stock treated as also owned by a Qualified Shareholder through the application of constructive ownership rules) 50% or more of the total value of our ordinary shares for more than half the number of days during the taxable year; this is also known as the "5% Override Exception."

Based on our public shareholdings for 2018, we are currently subject to the 5% Override Rule for the 2018 taxable year. Therefore, we do not expect that we will satisfy the Publicly-Traded Requirement and therefore will not be entitled to exemption from U.S. federal income tax under section 883 of the Code in respect of our U.S. source shipping income for the 2018 taxable year. It is possible, and may even be likely, that we will not be subject to the 5% Override Rule in future taxable years, and therefore we would be able to claim exemption from U.S. federal income tax under section 883 of the Code in respect of our U.S. source shipping income. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption and thereby become subject to U.S. federal income tax on our U.S. source income. We can give no assurances regarding our or any of our subsidiaries' qualification for the exemption under Section 883 of the Code.

### *Taxation in Absence of Exemption Under Section 883 of the Code*

To the extent the benefits of section 883 of the Code are unavailable with respect to any item of U.S. source shipping income earned by us or by our subsidiaries, and our U.S. source shipping income is not considered effectively connected with the conduct of a U.S. trade or business, such U.S. source shipping income would be subject to a 4% U.S. federal income tax imposed by section 887 of the Code on a gross basis, without benefit of deductions. Since, under the sourcing rules described above, no more than 50% of our shipping income would be treated as being U.S. source shipping income, the maximum effective rate of U.S. federal income tax on our shipping income, to the extent not considered to be "effectively connected" with the conduct of a U.S. trade or business, would never exceed 2% of the gross amount of such shipping income.

### *Gain on Sale of Vessels*

If we and our subsidiaries qualify for exemption from tax under section 883 of the Code in respect of our U.S. source shipping income, the gain on the sale of any vessel earning such U.S. source shipping income should likewise be exempt from U.S. federal income tax. Even if we and our subsidiaries are unable to qualify for exemption from tax under section 883 of the Code and we or any of our subsidiaries, as the seller of such vessel, are considered to be engaged in the conduct of a U.S. trade or business, gain on the sale of such vessel would not be subject to U.S. federal income tax provided the sale is considered to occur outside of the United States under U.S. federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. If the sale is considered to occur within the United States, any gain on such sale may be subject to U.S. federal income tax as "effectively connected" income at a rate of up to 44.7%. To the extent circumstances permit, we intend to structure sales of our vessels in such a manner, including effecting the sale and delivery of vessels outside of the United States, so as to not give rise to "effectively connected" income.'

### ***U.S. Federal Income Tax Consequences to U.S. Holders of Our Ordinary Shares***

A "U.S. Holder" is a beneficial owner of ordinary shares that is: (1) an individual citizen or resident alien of the United States, (2) a corporation or other entity that is taxable as a corporation, created or organized under the laws of the United States or any state or political subdivision thereof (including the District of Columbia), (3) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, and (4) a trust, if a U.S. court can exercise primary supervision over the administration of such trust and one or more U.S. persons has the authority to control all substantial decisions of the trust.

### *Taxation of Distributions on Ordinary Shares*

Subject to the discussion below under "Passive Foreign Investment Company Status and Significant Tax Consequences," distributions, if any, paid on our ordinary shares generally will be includable in a U.S. Holder's income as dividend income to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of our current and accumulated earnings and profits will be treated first as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in its ordinary shares on a dollar-for-dollar basis and thereafter as capital gain. Such distributions will generally not be eligible for the dividends-received deduction with respect to corporate U.S. Holders. Once our shares are traded on the NYSE, a noncorporate U.S. Holder may qualify for taxation at preferential rates, provided that such U.S. Holder meets certain holding period and other requirements and we do not constitute a passive foreign investment company, as described below, for the taxable year of the distribution or the immediately preceding year. Prior to our common shares being traded on the NYSE, dividends paid on our ordinary shares will be subject to U.S. federal income taxation at tax rates applicable to ordinary income. Dividends paid on our ordinary shares will be income from sources outside the United States and will generally constitute "passive category income" or, in the case of certain U.S. Holders, "general category income" for U.S. foreign tax credit limitation purposes.

Amounts taxable as dividends generally will be treated as passive income from sources outside the U.S. However, if (a) the Company is 50% or more owned, by vote or value, by U.S. persons and (b) at least 10% of the Company's earnings and profits are attributable to sources within the U.S., then for foreign tax credit purposes, a portion of its dividends would be treated as derived from sources within the U.S. With respect to any dividend paid for any taxable year, the U.S. source ratio of our dividends for foreign tax credit purposes would be equal to the portion of the Company's earnings and profits from sources within the U.S. for such taxable year divided by the total amount of Company's earnings and profits for such taxable year. The rules related to U.S. foreign tax credits are complex and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit would be available.

Special rules may apply to any "extraordinary dividend"—generally, a dividend in an amount which is equal to or in excess of 10% of a shareholder's adjusted basis (or fair market value in certain circumstances) in a share of ordinary shares —paid by the Company. If the Company pays an "extraordinary dividend" on its ordinary shares that is treated as "qualified dividend income" then any loss derived by a non-corporate U.S. Holder from the sale or exchange of such ordinary shares will be treated as long-term capital loss to the extent of such dividend.

Dividends paid in currency other than U.S. dollars will be generally included in the income of U.S. Holders at the U.S. dollar amount of the dividend (including any non-U.S. taxes withheld therefrom), based upon the exchange rate in effect on the date of the distribution. In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However an individual whose realized foreign exchange gain does not exceed U.S. \$200 will not recognize that gain, to the extent that there are not expenses associated with the transaction that meet the requirement for deductibility as a trade or business expense (other than travel expenses in connection with a business trip or as an expense for the production of income).

#### *Sale, Exchange or Other Disposition of Ordinary Shares*

Subject to the discussion below under "Passive Foreign Investment Company Status and Significant Tax Consequences," upon the sale, exchange or other taxable disposition of ordinary shares, a U.S. Holder generally will recognize capital gain or capital loss equal to the difference between the amount realized on such sale or exchange and such holder's adjusted tax basis in such ordinary shares. U.S. Holders are encouraged to consult their tax advisors regarding the treatment of capital gains (which may be taxed at lower rates than ordinary income for U.S. Holders who are individuals, trusts or estates) and capital losses (the deductibility of which is subject to limitations). A U.S. Holder's gain or loss will generally be treated (subject to certain exceptions) as gain or loss from sources within the United States for U.S. foreign tax credit limitation purposes.

In the case of any proceeds paid in foreign currency to a U.S. Holder in connection with the sale, exchange or other taxable disposition of the ordinary shares that is not converted by the recipient into U.S. dollars on the settlement date (in the case of a cash method taxpayer or an accrual method taxpayer that elects to use the settlement date) or trade date (in the case of an accrual method taxpayer), a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the settlement date or trade date, respectively. Any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U.S. dollars, will be ordinary income or loss. However, an individual whose realized foreign exchange gain does not exceed U.S. \$200 will not recognize that gain, to the extent that there are not expenses associated with the transaction that meet the requirement for deductibility as a trade or business expense (other than travel expenses in connection with a business trip or as an expense for the production of income).

#### *Passive Foreign Investment Company Status and Significant Tax Consequences*

Notwithstanding the above rules regarding distributions with respect to and dispositions of the ordinary shares, special rules may apply to U.S. Holders (or, in some cases, U.S. persons who are treated as owning our ordinary shares under constructive ownership rules) if we are treated as a "passive foreign investment company," or a PFIC, for U.S. federal income tax purposes. We will be a PFIC if either:

- at least 75% of our gross income in a taxable year is "passive income"; or
- at least 50% of our assets in a taxable year (based on an average of the quarterly values of the assets) are held for the production of, or produce, "passive income."

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own 25% or more of the value of the subsidiary's stock. To date, our subsidiaries and we have derived most of our income from time and voyage charters, and we expect to continue to do so. This income should be treated as services income, which is not "passive income" for PFIC purposes. We believe there is substantial legal authority supporting our position consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes.

Based on our past, current and projected methods of operation we do not believe that we were, are or will be a PFIC for any taxable year. Our U.S. counsel, Seward & Kissel LLP, is of the view that the income our subsidiaries or we earn from certain of time and voyage charters should not constitute passive income for purposes of determining whether we are a PFIC. Moreover, we have not sought, and we do not expect to seek, a ruling from the IRS on this matter. As a result, the IRS or a court could disagree with our position. In addition, there can be no assurance that we will not become a PFIC if our operations change in the future.

If we become a PFIC (and regardless of whether we remain a PFIC), each U.S. Holder who owns or is treated as owning our ordinary shares during any period in which we are so classified, would generally be subject to U.S. federal income tax, at the then highest applicable income tax rates on ordinary income, plus interest, upon certain "excess distributions" and upon dispositions of such ordinary shares (including, under certain circumstances, a disposition pursuant to an otherwise tax free reorganization) as if the distribution or gain had been recognized ratably over the U.S. Holder's entire holding period of the ordinary shares. An "excess distribution" generally includes dividends or other distributions received from a PFIC in any taxable year of a U.S. Holder to the extent that the amount of those distributions exceeds 125% of the average annual distributions made by the PFIC during a specified base period. The tax at ordinary rates and interest resulting from an excess distribution would not be imposed on a U.S. Holder of our ordinary shares if the U.S. Holder makes a "mark-to-market" election or "qualified electing fund" election, as discussed below.

If we become a PFIC and, provided that, as is currently the case, our ordinary shares is treated as "marketable stock," a U.S. Holder may make a "mark-to-market" election with respect to our ordinary shares. Under this election, any excess of the fair market value of the ordinary shares at the close of any tax year over the U.S. Holder's adjusted tax basis in the ordinary shares is included in the U.S. Holder's income as ordinary income. In addition, the excess, if any, of the U.S. Holder's adjusted tax basis at the close of any taxable year over the fair market value of the ordinary shares is deductible in an amount equal to the lesser of the amount of such excess or the net "mark-to-market" gains that the U.S. Holder included in income in previous years. If a U.S. Holder makes a "mark-to-market" election after the beginning of its holding period of our ordinary shares, the U.S. Holder does not avoid the PFIC rules described above with respect to the inclusion of ordinary income, and the imposition of interest thereon, attributable to periods before the election.

In some circumstances, a shareholder in a PFIC may avoid the unfavorable consequences of the PFIC rules by making a "qualified electing fund" election. However, a U.S. Holder cannot make a "qualified electing fund" election with respect to us unless such U.S. Holder complies with certain reporting requirements. We do not intend to provide the information necessary to meet such reporting requirements.

In addition to the above consequences, if we were to be treated as a PFIC for any taxable year for which a U.S. Holder holds our ordinary shares, such U.S. Holder may be required to file IRS form 8621 with the IRS for that year with respect to such U.S. Holder's ordinary shares.

You should consult your tax advisors regarding the application of the PFIC rules to your investment in our ordinary shares and the elections discussed above.

### ***U.S. Federal Income Tax Consequences to Non-U.S. Holders***

For purposes of this discussion, a non-U.S. holder is a beneficial owner of our ordinary shares that is neither a U.S. holder nor a partnership (or any other entity taxed as a partnership for U.S. federal income tax purposes).

A non-U.S. holder will generally not be subject to U.S. federal income tax on dividends paid in respect of the ordinary shares or on gains recognized in connection with the sale or other disposition of the ordinary shares, provided, in each case, that such dividends or gains are not effectively connected with the non-U.S. holder's conduct of a U.S. trade or business. However, even if not engaged in a U.S. trader or business, individual non-U.S. holders may be subject to tax on gain resulting from the disposition of our ordinary shares if they are present in the U.S. for 183 days or more during the taxable year in which our ordinary shares are disposed and/or meet certain other requirements.

## ***Information Reporting and Backup Withholding***

Under certain circumstances, the Code requires "information reporting" annually to the IRS, and "backup withholding" with respect to certain payments made on or with respect to the ordinary shares. Certain U.S. Holders are exempt from backup withholding and information reporting, including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts in each case that provide a properly completed IRS Form W-9. Backup withholding will apply to a non-exempt U.S. Holder if such U.S. Holder (1) fails to furnish its taxpayer identification number, or TIN, which, for an individual would be his or her social security number, (2) furnishes an incorrect TIN, (3) is notified by the IRS that it has failed to properly report payments of interest and dividends, or (4) under certain circumstances, fails to certify, under penalties of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. Non-U.S. Holders that do not provide a properly completed version of IRS Form W-8 (e.g., IRS Form W-8BEN-E, IRS Form W-8BEN, IRS W-8EXP, IRS Form W-8ECI, or IRS Form W-8IMY) will not be subject to this backup withholding.

Backup withholding is not an additional tax. Rather, the United States federal income tax liability of persons subject to backup withholding will be offset by the amount of tax withheld. If backup withholding results in an overpayment of United States federal income tax, a refund or credit may be obtained from the IRS, provided that certain required information is timely furnished.

## **Certain Non-U.S. Tax Considerations**

### **Bermuda Taxation**

Bermuda currently imposes no tax (including a tax in the nature of an income, estate, duty, inheritance, capital transfer or withholding tax) on profits, income, capital gains or appreciations derived by us, or dividends or other distributions paid by us to shareholders of our ordinary shares. Bermuda has undertaken not to impose any such Bermuda taxes on shareholders of our ordinary shares prior to the year 2035 except in so far as such tax applies to persons ordinarily resident in Bermuda.

The Minister of Finance in Bermuda has granted the Company a tax exempt status until March 31, 2035, under which no income taxes or other taxes (other than duty on goods imported into Bermuda and payroll tax in respect of any Bermuda-resident employees) are payable by the Company in Bermuda. If the Minister of Finance in Bermuda does not grant a new exemption or extend the current tax exemption, and if the Bermudian Parliament passes legislation imposing taxes on exempted companies, the Company may become subject to taxation in Bermuda after March 31, 2035.

### **Marshall Islands Taxation**

Because we do not (and do not expect in the future that we will) conduct business or operations in the Republic of the Marshall Islands, we are not subject to income, capital gains, profits or other taxation under current Marshall Islands law.

**THE FOREGOING SUMMARY DOES NOT DISCUSS ALL ASPECTS OF U.S. FEDERAL AND BERMUDA INCOME TAXATION THAT MAY BE RELEVANT TO YOU IN LIGHT OF YOUR PARTICULAR CIRCUMSTANCES. YOU ARE ENCOURAGED TO CONSULT YOUR OWN TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO YOU OF ACQUIRING, HOLDING, CONVERTING OR OTHERWISE DISPOSING OF SHARES OF OUR ORDINARY SHARES.**

## **F. Dividends and Paying Agents**

We refer you to the section of this registration statement entitled "Item 8. Financial Information—A. Consolidated Statements and Other Information—Dividend Policy" for a discussion of our dividend policy. Notwithstanding the aforementioned, the Company is unaware of any dividend restrictions, other than as described in this registration statement, and has no specific procedures for non-resident holders to claim dividends but might expect to pay their dividends in the same manner as resident holders. The Company expects to appoint Broadridge as its registrar and transfer agent in the United States and as its paying agent for dividends in the United States.

## **G. Statement by Experts**

The consolidated financial statements of FLEX LNG Ltd. as of December 31, 2018 and 2017, and for each of the two years in the period ended December 31, 2018, appearing in this registration statement have been audited by Ernst & Young AS, independent registered public accounting firm, with offices at Thormøhlens gate 53 D, NO-5008 Bergen, P.O. Box 6163 Postterminalen, NO-5892 Bergen, Norway, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

## **H. Documents on Display**

When the SEC declares this registration statement effective, we will be subject to the informational requirements of the Securities Exchange Act. In accordance with these requirements we will file reports and other information with the SEC. These materials, including this registration statement on Form 20-F and the accompanying exhibits may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates from the Public Reference Section of the SEC at its principal office in Washington, D.C. The SEC maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, our filings will be available on our website [www.flexlng.com](http://www.flexlng.com). This web address is provided as an inactive textual reference only. Information contained on our website does not constitute part of this registration statement.

Shareholders may also request a copy of our filings at no cost by writing or telephoning us at the following address:

FLEX LNG Ltd.  
Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton, Bermuda  
Tel: +1 441 295 69 35

## **I. Subsidiary Information**

Not applicable.

## **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our activities expose it to a variety of financial risks including market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Our overall risk management program considers the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance, in a cost-effective manner.

### **Currency Risk**

The majority of our transactions, assets and liabilities are denominated in U.S. dollars, our functional currency. However, we incur expenditures in currencies other than the functional currency, mainly overhead costs in GBP and NOK. Historically, we have not hedged these exposures. There is a risk that currency fluctuations in transactions incurred in currencies other than our functional currency will have a negative effect of the value of our cash flows.

Our shares are currently traded in NOK. The NOK trading price is impacted by our underlying activities, which are primarily denominated in USD. Currency fluctuations of a shareholder's currency of reference relative to the NOK may also adversely affect the value of such shareholder's investments.

### **Interest Rate Risk**

We are exposed to interest rate fluctuations primarily due to our floating rate interest bearing long term debt. The international LNG transportation industry is a capital-intensive industry, which requires significant amounts of financing, typically provided in the form of secured long-term debt or lease financing. Our current bank and lease financing agreements bear floating interest rates, based on LIBOR. Significant adverse fluctuations in floating interest rates could adversely affect our operating and financial performance and our ability to service our debt.

### **Liquidity Risk**

We monitor the risk of a shortage of funds using a cash modeling forecast. This model considers the maturity of payment profiles and projected cash flows required to fund the operations. Historically funds have been raised via equity issuance, lease finance and loan finance. Market conditions can have a significant impact on the ability to raise equity, lease finance and loan finance. While equity issuance may be dilutive to existing shareholders, lease and loan finance will contain covenants and other restrictions.

Our objective is to maintain a balance between continuity of funding and flexibility through the raising of funds from investors. Upon delivery of the respective vessels from the yards, we expect to finance remaining delivery payments that are due through available liquidity, debt financing and lease financing.

### **Credit Risk**

We are exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Currently the main exposure to credit risk relates to the advance payments made to the sellers in connection with the agreements to acquire the Newbuilding Vessels. Seatankers Management Co. Ltd., an entity related to Geveran, has provided corporate refund guarantees for the advance payments made to the sellers of \$72 million in aggregate for the Newbuilding Vessels *Flex Courageous* and *Flex Constellation*. Blue Sea Navigation Holding Inc., an entity related to Geveran, has provided corporate refund guarantees for the advance payments made to the sellers of \$349 million in aggregate for the Newbuilding Vessels *Flex Aurora*, *Flex Amber*, *Flex Reliance*, *Flex Resolute*, *Flex Freedom*, *Flex Volunteer* and *Flex Vigilant*. Cash funds are currently held with DnB, RBS and Barclays.

### **Price Risk**

We are also subject, indirectly, to price risk related to the spot/short term charter market for chartering LNG carriers. Charter rates may be uncertain and volatile and depend upon, among other things, the natural gas prices, the supply and demand for vessels, arbitrage opportunities, vessel obsolescence and the energy market, which we cannot predict with certainty. Currently, no financial instruments have been entered into to reduce this risk.

### **Operational Risk**

The operation of a LNG carrier has certain unique operational risks. Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather, business interruptions caused by mechanical failures, grounding and fire, explosions and collisions, human error, war, terrorism, piracy, labor strikes, boycotts and other circumstances or events. These hazards may result in death or injury to persons, loss of revenues or property, higher insurance rates, damage to our customer relationships and market disruptions, delay or rerouting.

If our LNG carriers suffer damage, they may need to be repaired at a dry-docking facility. The costs of dry-dock repairs are unpredictable and may be substantial. We may have to pay dry-docking costs that our insurance does not cover at all or in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition.

At a commercial level it also includes the ability to secure employment contracts on reasonable terms for the vessels under construction; and obtaining financing and working capital on reasonable terms.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. Debt Securities**

Not applicable.

**B. Warrants and Rights.**

Not applicable.

**C. Other Securities.**

Not applicable.

**D. American Depositary Shares.**

Not applicable.

**PART II**

**ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

Not applicable.

**ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

Not applicable.

**ITEM 15. CONTROLS AND PROCEDURES**

Not applicable.

**ITEM 16. RESERVED**

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT.**

Not applicable.

**ITEM 16B. CODE OF ETHICS**

Not applicable.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Not applicable.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.



**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

Not applicable.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

Not applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

See Item 18.

**ITEM 18. FINANCIAL STATEMENTS**

The financial statements beginning on page F-1 through F-21, together with the respective reports of the Independent Registered Public Accounting firm therefore, are filed as a part of this registration statement on Form 20-F.

**ITEM 19. EXHIBITS**

- 1.1 [Memorandum of Continuance of FLEX LNG Ltd.](#)
- 1.2 [Bye-laws of FLEX LNG Ltd.](#)
- 2.1 Form of Ordinary Share Certificate\*
- 4.1 [\\$270 Million Revolving Credit Facility](#)
- 4.2 [\\$315 Million Term Loan Facility](#)
- 4.3 [Flex Rainbow Sale and Leaseback Agreement\\*\\*](#)
- 4.4 [Memorandum of Agreement for the Flex Constellation](#)
- 4.5 [Memorandum of Agreement for the Flex Courageous](#)
- 4.6 [Memorandum of Agreement for the Flex Aurora](#)
- 4.7 [Memorandum of Agreement for the Flex Amber](#)
- 4.8 [Memorandum of Agreement for the Flex Freedom](#)
- 4.9 [Memorandum of Agreement for the Flex Reliance](#)
- 4.10 [Memorandum of Agreement for the Flex Resolute](#)
- 4.11 [Memorandum of Agreement for the Flex Vigilant](#)
- 4.12 [Memorandum of Agreement for the Flex Volunteer](#)
- 8.1 [List of Subsidiaries](#)
- 14.1 [Code of Conduct](#)

15.1 [Consent of Independent Registered Public Accounting Firm](#)

15.2 [Consent of Seward & Kissel LLP](#)

15.3 [Consent of MJM Limited](#)

\* To be filed by amendment.

\*\* Portions of this exhibit have been omitted.

## SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this registration statement on its behalf.

**FLEX LNG Ltd.**  
(registrant)

By: /s/ Oystein Kalleklev

Name: Oystein Kalleklev

Title: Chief Executive Officer of Flex LNG Management AS  
(Principal Executive Officer of FLEX LNG Ltd.)

Date: May 7, 2019

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**FLEX LNG LTD.**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Statements of Operations for the years ended December 31, 2018 and 2017	F-3
Consolidated Statements of Other Comprehensive Income (Loss) for the years ended December 31, 2018 and 2017	F-4
Consolidated Balance Sheets as of December 31, 2018 and 2017	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2018 and 2017	F-6
Consolidated Statements of Changes in Equity for the years ended December 31, 2018 and 2017	F-7
Notes to the Consolidated Financial Statements	F-8

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of FLEX LNG Ltd.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of FLEX LNG Ltd. (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations, other comprehensive income (loss), changes in equity and cash flows for each of the two years in the period ended December 31, 2018, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young AS

We have served as the Company's auditor since 2007.

Bergen, Norway

April 4, 2019

**FLEX LNG Ltd.****Consolidated Statements of Operations for the years ended December 31, 2018 and 2017***(in thousands of \$, except per share data)*

	2018	2017
Vessel operating revenues	77,209	27,329
Vessel operating costs	(26,161)	(36,532)
Administrative expenses	(4,639)	(3,409)
Depreciation	(17,412)	(2)
<b>Operating income/(loss)</b>	<b>28,997</b>	<b>(12,614)</b>
Finance income	607	123
Finance cost	(17,781)	(234)
Other financial items	(54)	2,334
<b>Income/(loss) before tax</b>	<b>11,769</b>	<b>(10,391)</b>
Income tax expense/(credit)	(10)	17
<b>Net income/(loss)</b>	<b>11,779</b>	<b>(10,408)</b>
<b>Earnings/(loss) per share:</b>		
	<b>2018</b>	<b>2017</b>
- Basic and Diluted	<b>0.29</b>	<b>(0.34)</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**FLEX LNG Ltd.**

**Consolidated Statements of Other Comprehensive Income (Loss) for the years ended December 31, 2018 and 2017**

*(in thousands of \$)*

	2018	2017
<b>Net income/(loss) for the year</b>	<b>11,779</b>	<b>(10,408)</b>
Total other comprehensive income/(expense)	—	—
<b>Total comprehensive income/(loss) attributable to FLEX LNG</b>	<b>11,779</b>	<b>(10,408)</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**FLEX LNG Ltd.****Consolidated Balance Sheets as of December 31, 2018 and 2017***(in thousands of \$, except share data)*

	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash, restricted cash and cash equivalents	55,097	9,961
Inventory	915	1,041
Other current assets	2,693	6,568
Receivables due from related parties	1,720	—
<b>Total current assets</b>	<b>60,425</b>	<b>17,570</b>
<b>Non-current assets</b>		
Newbuildings	—	594,937
Vessel purchase prepayment	421,472	72,000
Vessels and equipment, net	812,478	—
Other fixed assets	11	3
<b>Total non-current assets</b>	<b>1,233,961</b>	<b>666,940</b>
<b>Total assets</b>	<b>1,294,386</b>	<b>684,510</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Current portion of long term debt	23,365	—
Payables due to related parties	206	810
Accounts payable	592	76
Other current liabilities	11,297	3,523
<b>Total current liabilities</b>	<b>35,460</b>	<b>4,409</b>
<b>Non-current liabilities</b>		
Long-term debt	431,602	160,000
<b>Total non-current liabilities</b>	<b>431,602</b>	<b>160,000</b>
<b>Total liabilities</b>	<b>467,062</b>	<b>164,409</b>
<b>Equity</b>		
Share capital (2018: 54,099,929 (2017: 36,797,238) shares issued and outstanding, par value \$0.10 per share)	5,410	3,680
Additional paid in capital	1,189,665	895,951
Accumulated deficit	(367,751)	(379,530)
<b>Total equity</b>	<b>827,324</b>	<b>520,101</b>
<b>Total equity and liabilities</b>	<b>1,294,386</b>	<b>684,510</b>

*The accompanying notes are an integral part of these consolidated financial statements.*



**FLEX LNG Ltd.****Consolidated Statements of Cash Flows for the years ended December 31, 2018 and 2017***(in thousands of \$)*

Year ended December 31

	2018	2017
<b>Operating activities</b>		
<b>Net income/(loss)</b>	<b>11,779</b>	<b>(10,408)</b>
Adjustments to reconcile net income/(loss) to net cash provided by (used in) operating activities		
Depreciation	17,412	2
Share-based payments	202	115
Foreign exchange loss (gains)	22	(2,334)
Other	(518)	(157)
<b>Changes in operating assets and liabilities, net:</b>		
Inventory	126	(1,041)
Other current assets	725	(6,547)
Receivables due from related parties	(1,720)	-
Payables due to related parties	(604)	-
Accounts payable	516	272
Other current liabilities	7,774	2,346
<b>Net cash provided (used in) by operating activities</b>	<b>35,714</b>	<b>(17,752)</b>
<b>Investing activities</b>		
Purchase of other fixed assets	(14)	(4)
Vessel purchase prepayments	(349,000)	(72,000)
Additions and installments on newbuildings	(232,455)	(3,788)
Capitalized interest	(2,964)	(1,922)
<b>Net cash flow (used in) investing activities</b>	<b>(584,433)</b>	<b>(77,714)</b>
<b>Financing activities</b>		
Net proceeds from issuance of share capital	295,311	220,988
Repayment of long term-debt	(286,069)	(117,000)
Proceeds from long term-debt	584,613	-
<b>Net cash flow provided by financing activities</b>	<b>593,855</b>	<b>103,988</b>
<b>Net increase in cash and cash equivalents</b>	<b>45,136</b>	<b>8,522</b>
Cash, cash equivalents and restricted cash at the beginning of the period	9,961	1,439
<b>Cash, cash equivalents and restricted cash at the end of the period</b>	<b>55,097</b>	<b>9,961</b>
<b>Supplemental Information</b>		
Interest paid, net of amounts capitalized	(12,958)	(61)
Income tax paid	-	(5)

*The accompanying notes are an integral part of these consolidated financial statements.*

**FLEX LNG Ltd.****Consolidated Statements of Changes in Equity for the years ended December 31, 2018 and 2017***(in thousands of \$, except number of shares)*

	<b>2018</b>	<b>2017</b>
<b>Number of shares outstanding</b>		
Balance at beginning of year	36,797,238	12,794,565
Shares issued	17,302,691	24,002,673
Balance at end of year	54,099,929	36,797,238
<b>Share capital</b>		
Balance at beginning of year	3,680	1,280
Shares issued	1,730	2,400
Balance at end of year	5,410	3,680
<b>Additional paid in capital</b>		
Balance at beginning of year	895,951	573,785
Shares issued	293,645	322,166
Stock option expense	69	-
Balance at end of year	1,189,665	895,951
<b>Accumulated retained deficit</b>		
Balance at beginning of year	(379,530)	(369,122)
Net income/(loss)	11,779	(10,408)
Balance at end of year	(367,751)	(379,530)
<b>Total equity</b>	<b>827,324</b>	<b>520,101</b>

**FLEX LNG Ltd.**  
**Notes to Consolidated Financial Statements**

**1. GENERAL**

FLEX LNG Ltd. ("FLEX LNG" or the "Company") is a limited liability company, originally incorporated in the British Virgin Islands in September 2006 and re-domiciled to Bermuda in June 2017. The Company is currently listed on the Oslo Stock Exchange under the symbol "FLNG". The Company's activities are focused on seaborne transportation of liquefied natural gas ("LNG") through the ownership and operation of fuel efficient, fifth generation LNG carriers. As of December 31, 2018, the Company had four LNG carriers in operation, of which two were delivered by Daewoo Shipbuilding and Marine Engineering Co. Ltd. ("DSME") in January 2018, and two by Samsung Heavy Industries ("SHI") in June and July 2018, respectively. In addition, FLEX LNG has nine LNG carriers under construction, four at Hyundai Samho Heavy Industries Co. Ltd. ("HSHI") and five at DSME. The nine newbuildings are expected to be delivered between 2019 and 2021.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis for preparation**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries.

**Reporting currency and presentation currency**

The Company's presentation and reporting currency is USD. The Company's primary economic environment is the international shipping market in which revenues are primarily settled in USD. The Company's most significant assets and liabilities are also paid for and settled in USD. Our expenses, however, are in the currency invoiced by each supplier.

Foreign currency transactions are translated into the functional currency at the exchange rate in effect at the date of the transaction. Monetary items are translated at the period end exchange rate, non-monetary items that are measured at historical cost are translated at the rate in effect on the original transaction date, and non-monetary items that are measured at fair value are translated at the exchange rate in effect at the time when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such cash transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

**Basis of consolidation**

The Company's consolidated financial statements comprise FLEX LNG Ltd. and its directly and indirectly wholly owned subsidiaries. The Company includes eight 100% directly owned subsidiaries and fourteen 100% indirectly owned subsidiaries as at December 31, 2018. Details on subsidiaries are provided in Note 4. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, FLEX LNG Ltd., using consistent accounting principles.

Intragroup transactions and balances, including internal profits and unrealized gains and losses, have been eliminated upon consolidation.

**Use of estimates**

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates and assumptions impact, the following: vessels, the amount to be paid for certain liabilities, the amount of costs to be capitalized in connection with the construction of our newbuildings, initial dry-dock cost component and the expected useful lives of our vessels. Actual results could differ from those estimates.

**Fair value measurements**

The inputs to the fair value calculations are based on observable market data when available, but where this is not achievable; a degree of judgement is required in establishing fair values. Changes in these assumptions could impact the reported fair value, as detailed in Note 17.

## Segment reporting

Our chief operating decision maker ("CODM") measures performance based on our overall return to shareholders based on consolidated net income. Although separate vessel financial information is available, the CODM internally evaluates the performance of the Company as a whole and not on the basis of separate business units or different types of charters. As a result, the Company has determined that it operates as one reportable segment. Since the Company's vessels regularly move between countries in international waters over many trade routes, it is neither practical nor meaningful to assign revenues or earnings from the transportation of international LNG by geographic area.

## Accounting for revenue and related expenses

Effective from January 1, 2017, we adopted the new accounting standard ASC 606 *Revenue from Contracts with Customers*. Under ASC 606, all contracts with customers fall under this standard unless the contract contains a lease. The Company employs all of its vessels on time charter contracts, which the Company has established to contain a lease since the vessel is a specified asset, the charterer has the right to direct the use of the vessel and there is no substantive substitution rights. All revenue from time charter contracts are therefore not recognized under ASC 606 and instead are recognized as operating leases under ASC 842 *Leases*, for which it has early adopted from January 1, 2017. There were no 2017 transition adjustments required as a result of this change. The Company receives a fixed charter hire per day of on-hire whereby revenue is recognized and recorded on an accrual basis over the term of the charter as service is provided including option period if reasonable certain to be exercised.

If the Company receives a lump sum re-positioning fee or fixed ballast bonus, which is probable at the commencement of the lease, this is recognized as part of the lease payments over the course of the time charter on a straight-line basis at the commencement of the lease.

If the Company receives a lump sum ballast bonus, which is not probable at the commencement of the lease then this is recognized as a variable lease payment from the date that the change in facts and circumstances occur. The variable lease payment is therefore recognized on a straight line basis from the date that the re-delivery port is declared and probability of occurrence is determined, to the date of arrival at the re-delivery port.

If there is an option under a charter party for the lessee to extend the charter, the Company will assess the likelihood of the charterer exercising the extension option at inception of the lease in order to determine the lease term. If the option period is not included in the initial lease term and the charterer declares such option, the Company will consider the declaration of an option as a lease modification. The Company will remeasure the total minimum lease payments from the date of declaration of the option, adjusted for any prepaid or accrued rent from the original contract, and recognise this on a straight line basis to the date of arrival at the re-delivery port.

Under a time charter agreement, the Company is responsible for both the operation and maintenance of the vessel which would be considered to be a non-lease performance obligation. The Company has chosen to elect the practical expedient of ASC 842 to not separate lease and non-lease components and instead combine these as a single performance obligation as the Company consider the lease component to be the predominant component of the contract, for which ASC 842 will be applied.

A maturity analysis of lease payments to be received on time charter contracts as at December 31, 2018 has not been prepared since all contracts mature in less than one year from the balance sheet date. Costs incurred during the leasing period for the maintenance and operation of the vessels are expensed as incurred as the timing and pattern of transfer of the components are identical to the operating lease revenue earned from the charter hire.

## Lease

Short-term leases are in the scope of ASC 842. The standard provides practical expedients for an entity's ongoing accounting. The Group has elected the short-term lease recognition exemption for leases that qualify, meaning that the Group will not recognize Right Of Use assets or lease liabilities for these leases where the Company is the lessee.

## Finance costs

Finance costs are expensed as incurred except for interest expenses that are capitalized for qualifying assets that require a period of time to get them ready for their intended use. Interest expenses are capitalized until the qualifying asset is ready for use. The Company does not capitalize amounts beyond the actual interest expense incurred in the period.

If the Company's financing plans associate a specific borrowing with a qualifying asset, the Company uses the rate on that borrowing as the capitalization rate to be applied to that portion of the average accumulated expenditures for the asset that does not exceed the amount of that borrowing. If average accumulated expenditures for the asset exceed the amounts of specific new borrowings associated with the

asset, the capitalization rate to be applied to such excess shall be a weighted average of the rates applicable to other borrowings of the Company.

### **Income taxes**

Income taxes are provided for based upon the tax laws and rates in effect in the countries in which the Company's ocean-going LNG carriers' operations were conducted and income was earned. Deferred tax assets and liabilities are recognized for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of the Company's assets and liabilities using the applicable jurisdictional tax in effect at the year end. A valuation allowance for deferred tax assets is recorded when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized (Note 8). Recognition of uncertain tax positions is dependent upon whether it is more-likely-than-not that a tax position taken or expected to be taken in a tax return will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If a tax position meets the more-likely-than-not recognition threshold, it is measured to determine the amount of benefit to recognize in the financial statements based on U.S. GAAP guidance. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

## Vessels

Vessels are carried at historical cost less accumulated depreciation and impairment adjustments, if any.

The depreciation on vessels is reviewed annually to ensure that the method and period used reflect the pattern in which the asset's future economic benefits are expected to be consumed.

The gross carrying amount of the vessel is the purchase price, including duties/taxes, borrowing costs and any other direct costs attributable to bringing it to the location and condition necessary for the vessels intended use. Capitalization of costs will cease once the vessel is in the location and condition necessary for it to be able to operate in the manner consistent with its intended design.

On delivery, the total acquisition costs of the vessel will be segregated to groups of components that have different expected useful lives. The different groups of components will be depreciated over their expected useful lives. Subsequent costs, such as repair and maintenance costs, are recognized in the income statement as incurred.

Each vessel is required to be dry-docked every 5 years. The Company capitalizes costs associated with the dry-docking in accordance with ASC Topic 360 *Property, Plant and Equipment* and amortizes these costs on a straight-line basis over the period to the next expected dry-docking. Amortization of dry-docking costs is included in depreciation in the Income Statement. The Company has adopted the "built in overhaul" method for when a vessel is newly acquired, or constructed, whereby a proportion of the cost of the vessel is allocated to the components expected to be replaced at the next dry-docking based on the expected costs relating to the next dry-docking. Dry-docking costs are included within operating activities on the statement of cash flows.

The cost of the vessel, less their estimated residual value, is depreciated on a straight-line basis over the asset's estimated useful economic life. The residual value for owned vessels is calculated by multiplying the lightweight tonnage of the vessel by the estimated scrap value per tonne. The cost of dry-dock is depreciated on a straight-line basis over the assets estimated useful life. The following useful lives have been used:

Vessels: 35 years

Dry-dock: 5 years

## Impairment of long-lived assets

The carrying values of long-lived assets held and used by the Company and newbuildings are reviewed whenever events or circumstances indicate that the carrying amount of an asset may no longer be recoverable. The Company assesses recoverability of the carrying value of each asset or newbuilding on an individual basis by estimating the future net undiscounted cash flows expected to result from the asset, including eventual disposal. In developing estimates of future undiscounted cash flows, the Company must make assumptions about future performance, with significant assumptions being related to charter rates, ship operating expenses, utilization, dry-docking requirements, residual values, the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations. If the future net undiscounted cash flows are less than the carrying value of the asset, or the current carrying value plus future newbuilding commitments, an impairment loss is recorded equal to the difference between the asset's or newbuilding's carrying value and fair value. In addition, long-lived assets to be disposed of are reported at the lower of carrying amount and fair value less estimated costs to sell.

## Newbuildings

The carrying value of vessels under construction ("newbuildings") represents the accumulated costs to the balance sheet date which the Company has paid by way of purchase instalments and other capital expenditures together with capitalized interest and associated finance costs. No charge for depreciation is made until a newbuilding is put into operation.

## Vessel Purchase Prepayments

Vessel purchase prepayments relate to amounts advanced under vessel purchase agreements, where title of the vessel does not transfer to the Company until the date of delivery.

## Inventories

Inventories comprise principally of fuel and lubricating oils and are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

## Cash and cash equivalents

Cash includes cash in hand and in the Company's bank accounts. Cash equivalents are short-term liquid investments with original maturities of three months or less.

## Restricted cash

Restricted cash consists of cash, which may only be used for certain purposes and is held under a contractual arrangement. The cash is restricted by law for the Norwegian tax authorities in relation to social security tax and personal income tax of employees in Flex LNG Management AS, and is settled every second month.

## Debt issuance costs

Direct costs relating to obtaining a loan are deferred and amortized over the term of the loan using the effective interest rate method. Amortization of debt issuance costs is included under finance costs. The Company has recorded debt issuance costs as a direct reduction from the carrying amount of the related debt in the balance sheet and from the proceeds from long-term debt in the statement of cash flows.

## Share-based compensation

The Company accounts for share-based payments in accordance with ASC Topic 718 *Compensation - Stock Compensation*, under which the fair value of issued stock options is expensed over the period in which the options vest under the simplified method. Stock based compensation represents the cost of vested and non-vested shares and share options granted to employees and directors for their services, and are included in administrative expenses in the consolidated statements of operations. The fair value of share options grants is determined with reference to option pricing models, and depends on the terms of the granted options. The fair value is recognized (generally as compensation expense) over the requisite service period.

## Earnings per share

Basic earnings per share ("EPS") are computed based on the income available to ordinary shareholders divided by the weighted average number of shares outstanding. Diluted EPS is computed by dividing the net income available to ordinary shareholders by the weighted average number of common shares and dilutive common share equivalents then outstanding.

## 3. ACCOUNTING STANDARDS UPDATES, RECENTLY ADOPTED

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases* (Topic 842), and has since modified the standard with several ASUs (collectively, the new lease standard).

The new lease standard requires most lessees to report a right-of-use asset and a lease liability. The income statement recognition is similar to existing lease accounting and is based on lease classification. The new lease standard requires lessees and lessors to classify most leases using principles similar to existing lease accounting. For lessors, the new lease standard modifies the classification criteria and the accounting for sales-type and direct financing leases. The new lease standard provides entities two options for applying the modified retrospective approach, either (1) retrospectively to each prior reporting period presented in the financial statements with the cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption (January 1, 2019) through a cumulative-effect adjustment.

Short-term leases are in the scope of ASC 842. The standard provides practical expedients for an entity's ongoing accounting. The Group has elected the short-term lease recognition exemption for leases that qualify, meaning that the Group will not recognize Right Of Use assets or lease liabilities for these leases where the Company is the lessee.

The Group has chosen to early adopt ASC 842 Leases with effect from January 1, 2017. There were no 2017 transition adjustments required as a result of this change.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASC 606"), 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. Under ASC 606, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations of the contract; (3) determine the transaction price; (4) allocate the transaction price



to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfied a performance obligation. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized.

Effective from January 1, 2017, we adopted the new accounting standard ASC 606. Under ASC 606, all contracts with customers fall under this standard unless the contract contains a lease. The Group employs all of its vessels on time charter contracts, which the Group has established to contain a lease since the vessel is a specified asset, the charterer has the right to direct the use of the vessel and there are no substantive substitution rights. All revenue from time charter contracts are therefore recognized as operating leases under ASC 842 *Leases*. Under a time charter agreement, the Group is responsible for both the operation and maintenance of the vessel which would be considered to be a non-lease performance obligation. The Group has chosen to elect the practical expedient of ASC 842 to not separate lease and non-lease components and instead combine these as a single performance obligation as the Group considers the lease component to be the predominant component of the contract, for which ASC 842 will be applied. Consequently the implementation of ASC 606 did not have a significant impact on these consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of cash flows (Topic 230): Restricted Cash*. The new standard requires that the statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result of the adoption of the standard, we have classified restricted cash as a component of cash, cash equivalents and restricted cash in the consolidated statements of cash flows for all periods presented. The adoption of this Update did not have a significant impact on these consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*. The update provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this Update did not have a material impact on our consolidated financial statements and related disclosures upon adoption.

The Company has reviewed all other recent issued accounting pronouncements and has not identified other standard that would have a material impact on the Company's current accounting policies.

#### 4. SUBSIDIARIES

The following subsidiaries are included in the consolidated financial statements:

<b>Company</b>	<b>Country of registration</b>	<b>Main operations</b>	<b>Ownership share</b>	<b>Voting share</b>
Flex LNGC 1 Limited	Isle of Man	Shipping	100%	100%
Flex LNGC 2 Limited	Isle of Man	Shipping	100%	100%
Flex LNG Shipping Limited	Isle of Man	Shipping	100%	100%
Flex LNG Chartering Limited	United Kingdom	Chartering services	100%	100%
Flex LNG Management AS	Norway	Management services	100%	100%
Flex LNG Fleet Limited	Bermuda	Holding company	100%	100%
Flex LNG Management Limited	Isle of Man	Management services	100%	100%
Flex LNG Bermuda Limited	Bermuda	Management services	100%	100%
Flex LNG Endeavour Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Enterprise Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Ranger Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Rainbow Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Constellation Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Courageous Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Aurora Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Amber Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Resolute Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Reliance Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Freedom Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Vigilant Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Volunteer Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Shipping (Bermuda) Limited	Bermuda	Shipping	100%	100%

## 5. ADMINISTRATIVE EXPENSES

### Remuneration

As at December 31, 2018, the Company had four Directors (2017: five), and six employees (2017: nil). All employees are employed by Flex LNG Management Limited and Flex LNG Management AS (the "Management Companies").

<i>(in thousands of \$)</i>	2018	2017
Wages and salaries	1,826	1,040
Social security costs	180	150
Pension costs	76	58
<b>Total employee benefit expenses</b>	<b>2,083</b>	<b>1,248</b>

Employees are offered a fixed base salary. The Management Companies contribute to a defined contribution pension scheme and provide health insurance for members of staff.

## 6. FINANCE COSTS AND FINANCE INCOME

<i>(in thousands of \$)</i>	2018	2017
<b>Finance cost</b>		
Loan interest	(17,619)	(234)
Amortization of deferred financing costs	(141)	—
Other interest	(21)	—
<b>Total finance cost</b>	<b>(17,781)</b>	<b>(234)</b>

	2018	2017
<b>Finance income</b>		
Interest income from bank deposits	607	123
<b>Total finance income</b>	<b>607</b>	<b>123</b>

<i>(in thousands of \$)</i>	2018	2017
<b>Other financial items</b>		
Foreign exchange (loss)/gain	(22)	2,334
Other financial items	(32)	-
<b>Total other financial items</b>	<b>(54)</b>	<b>2,334</b>

## 7. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net loss for the year by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss by the weighted average number of shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the loss and share data used in the earnings per share calculation.

(in thousands of \$, except share data)

	2018	2017
Net income/(loss) attributable to shareholders	11,779	(10,408)
Weighted average number of ordinary shares*	40,451,462	30,763,911
Share options*	141,000	—
Weighted average number of shares, adjusted for dilution*	40,592,462	30,763,911

\*Share options and number of ordinary shares outstanding have been retroactively adjusted for the one-to-ten reverse stock split which was effective from March 7, 2019; see Note 20 for more details.

## 8. INCOME TAX

The Group consists of one legal entity incorporated in the United Kingdom, one entity in Norway, three entities in Bermuda, four entities in the Isle of Man and 13 in the Marshall Islands. The profits attributable to the Management Companies are taxable in the United Kingdom and Norway.

### Bermuda

Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. The Company has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until March 31, 2035.

### United States

For the year ended December 31, 2018, the Company accrued U.S. income taxes because, even though the Company is not engaged in a U.S. trade or business, the Company was not able to satisfy the requirements of the exemption from gross basis tax under Section 883 of the U.S. Internal Revenue Code. Under Section 863(c)(2)(A) of the Internal Revenue Code, 50% of all transportation revenue attributable to transportation which begins or ends in the United States shall be treated as from sources within the United States where no Section 883 exemption is available. Such revenue is subject to 4% tax. During the year ended December 31, 2018, revenue tax of \$0.2 million (2017: \$0.0 million) has been recorded in vessel operating costs.

### Other Jurisdictions

Certain of the Company's subsidiaries in Norway and the United Kingdom are subject to income tax in their respective jurisdictions. The taxes paid by subsidiaries of the Company that are subject to income tax have been disclosed in the tables below.

The Company does not have any unrecognized tax benefits, material accrued interest or penalties relating to income taxes. The Norwegian income tax returns could be subject to examination by Norwegian tax authorities going back ten years or more. In the United Kingdom, the tax authorities can investigate as far back as 20 years if they suspect tax evasion. More commonly, the United Kingdom may investigate for (i) careless tax returns for up to six years and (ii) innocent errors for up to four years. The Internal Revenue Service ("IRS") may audit tax returns filed within the last three years. If the IRS identifies a substantial error, the IRS may add additional years, which in most cases does not extend beyond six years.

To the Company's knowledge, none of FLEX LNG Ltd. or its subsidiaries is undergoing a tax audits in any applicable tax jurisdictions.

(in thousands of \$)	2018	2017
Current income tax expense/(credit)	(5)	17
Adjustments in respect of current income tax of previous years	(5)	—
<b>Income tax expense/(credit) reported in the income statement</b>	<b>(10)</b>	<b>17</b>

A reconciliation between the tax expense and the product of the accounting profit multiplied by the Bermuda domestic tax rate for the year ended December 31, 2018 and 2017 is as follows:

<i>(in thousands of \$)</i>	2018	2017
Net income/(loss) before tax	11,769	(10,391)
Income tax at 0% (2017: 0%)	—	—
Effect of higher overseas tax rates	(10)	17
<b>Effective income tax rate of (0.1)% (2017: (0.2)%)</b>	<b>(10)</b>	<b>17</b>

## 9. NEWBUILDINGS AND VESSEL PURCHASE PREPAYMENTS

<i>(in thousands of \$)</i>	2018	2017
<b>Newbuildings</b>		
At January 1	594,937	212,472
Installments to shipyard	231,019	376,000
Capitalized interest	2,492	1,922
Pre-delivery expenditures	1,436	4,543
Transfer to vessels and equipment	(829,884)	—
<b>At December 31</b>	<b>—</b>	<b>594,937</b>

In January 2018, the Company took delivery of its first two newbuilding LNG carriers, the *Flex Endeavour* and the *Flex Enterprise* and in June 2018 and July 2018, the Company took delivery of its third and fourth newbuilding LNG carriers, the *Flex Ranger* and the *Flex Rainbow*.

<i>(in thousands of \$)</i>	2018	2017
<b>Vessel purchase prepayments</b>		
At January 1	72,000	—
Additions	349,000	72,000
Capitalized interest	472	—
Transfer to vessels and equipment	—	—
<b>At December 31</b>	<b>421,472</b>	<b>72,000</b>

In May 2017, the Company entered into agreements with entities related to Geveran Trading Co. Limited ("Geveran"), the Company's largest shareholder, for the acquisition of the two newbuilding MEGI LNG carriers *Flex Constellation* and *Flex Courageous* for a purchase price of \$180.0 million per vessel. The vessels are currently under construction at DSME pursuant to shipbuilding contracts between DSME and the sellers, who will continue to be responsible for the supervision of the construction of the vessels. We made advance payments of \$36.0 million per vessel to the sellers in 2017, representing 20% of the purchase price, which were recorded as vessel purchase prepayments. The remaining balance of \$144.0 million per vessel is due upon delivery to us, which is scheduled in June and August 2019, respectively.

In May 2018, the Company entered into agreements with entities related to Geveran for the acquisition of the two newbuilding X-DF LNG carriers *Flex Aurora* and *Flex Amber* for a purchase price of \$184.0 million per vessel. The vessels are currently under construction at HSHI pursuant to shipbuilding contracts between HSHI and the sellers, who will continue to be responsible for the supervision of the construction of the vessels. We made advance payments of \$36.8 million per vessel in 2018, representing 20% of the purchase price, which were recorded as vessel purchase prepayments. The remaining balance of \$147.2 million per vessel is due upon delivery to the Company, which is scheduled in the second and third quarter of 2020, respectively.

In October 2018, the Company entered into agreements with entities related to Geveran for the acquisition of the five newbuilding LNG carriers, the *Flex Freedom*, *Flex Reliance*, *Flex Resolute*, *Flex Vigilant*, and *Flex Volunteer*, for a purchase price of \$180.0 million per vessel, with an additional cost of \$6.0 million per vessel for full re-liquefaction systems on three of the vessels. The *Flex Freedom*, *Flex Reliance* and *Flex Resolute* are MEGI LNG carriers under construction at DSME, with two vessels scheduled for delivery in the third quarter of 2020 and the remaining vessel in the fourth quarter of 2020. The *Flex Vigilant* and *Flex Volunteer* are X-DF LNG carriers with expected delivery in first and second quarters of 2021, respectively. The sellers will continue to be responsible for the supervision of the construction of the vessels. We made advance payments of \$55.8 million for each of the three MEGI newbuildings and \$54.0 million for each of the two X-DF newbuildings in 2018, representing 30% of the purchase price, which are recorded as vessel purchase prepayments. The remaining balance of \$130.2 million for each of the three MEGI newbuildings and \$126.0 million for each of the two X-DF newbuilding is due upon the delivery of the respective vessels to the Company.



## 10. VESSELS AND EQUIPMENT, NET AND OTHER FIXED ASSETS

The table below summarizes the vessels and equipment and other fixed assets applicable to the Company:

<i>(in thousands of \$)</i>	Vessels and equipment	Dry-docks	Other fixed assets	Total
<b>Cost</b>				
<b>At January 1, 2018</b>	—	—	8	8
Additions	—	—	14	14
Transfer from Newbuildings	819,884	10,000	—	829,884
Disposals	—	—	(2)	(2)
<b>At December 31, 2018</b>	<b>819,884</b>	<b>10,000</b>	<b>20</b>	<b>829,904</b>
<b>Accumulated depreciation</b>				
<b>At January 1, 2018</b>	—	—	5	5
Charge	15,931	1,475	6	17,412
Disposals	—	—	(2)	(2)
<b>At December 31, 2018</b>	<b>15,931</b>	<b>1,475</b>	<b>9</b>	<b>17,415</b>
<b>Net book value</b>				
<b>At January 1, 2018</b>	—	—	3	3
<b>At December 31, 2018</b>	<b>803,953</b>	<b>8,525</b>	<b>11</b>	<b>812,489</b>

In January 2018, the Company took delivery of two MEGI LNG carriers from DSME at a cost of \$197.3 million and \$197.4 million, respectively. In June and July 2018, the Company took delivery of two MEGI LNG carriers from SHI at a cost of \$217.8 million and \$217.5 million, respectively.

The net book value of vessels that serve as collateral for the Company's long term debt (Note 15) was \$812.5 million as at December 31, 2018.

## 11. OTHER CURRENT ASSETS

<i>(in thousands of \$)</i>	2018	2017
Other receivables	168	486
Prepayments and accrued income	2,525	6,082
<b>Total other current assets</b>	<b>2,693</b>	<b>6,568</b>

## 12. OTHER CURRENT LIABILITIES

<i>(in thousands of \$)</i>	2018	2017
Accrued expenses	6,441	862
Deferred charter revenue	2,559	2,603
Other current liabilities	15	58
Provisions	2,282	-
<b>Total Other current liabilities</b>	<b>11,297</b>	<b>3,523</b>

## 13. CASH, RESTRICTED CASH AND CASH EQUIVALENTS

<i>(in thousands of \$)</i>	2018	2017
Cash and cash equivalents	54,932	9,961
Restricted cash	165	—
<b>Cash and cash equivalents</b>	<b>55,097</b>	<b>9,961</b>

The Company has \$0.2 million of restricted cash as at December 31, 2018 (2017: \$0.0 million). This is restricted by law for the Norwegian tax authorities in relation to social security of employees for which there were none in the twelve months to December 31, 2017.



#### 14. SHARE CAPITAL AND ADDITIONAL PAID IN CAPITAL

	2018	2017
Ordinary shares (nominal amount \$0.10)*	54,099,929	36,797,238
<b>Total number of shares issued and outstanding</b>	<b>54,099,929</b>	<b>36,797,238</b>

<i>(in thousands of \$, except share data)</i>	Shares*	Share Capital	Additional paid in capital
Ordinary shares - issued and fully paid:			
<b>At December 31, 2016</b>	<b>12,794,565</b>	<b>1,279</b>	<b>573,785</b>
Shares issued	24,002,673	2,401	322,166
<b>At December 31, 2017</b>	<b>36,797,238</b>	<b>3,680</b>	<b>895,951</b>
Shares issued	17,302,691	1,730	293,714
<b>At December 31, 2018</b>	<b>54,099,929</b>	<b>5,410</b>	<b>1,189,665</b>

\*Shares issued and fully paid have been retroactively adjusted for the one-to-ten reverse stock split which was effective from March 7, 2019, see Note 19 for more details.

Nominal value per share is \$0.10 following the ten-to-one reverse stock split which was effective March 7, 2019. All issued shares have equal voting rights and are equally entitled to dividends. During the year shares were allotted to directors of FLEX LNG to cover between 0 % and 100 % of their remuneration for the year. The Directors' shares for the remuneration, covering the period July 1, 2018 to December 31, 2018, had not been issued at December 31, 2018 and are recorded as accrued expenses.

#### 15. SHARE BASED PAYMENTS

On September 7, 2018, the Company's Board of Directors approved a Share Option Scheme. The Share Option Scheme permits the Board of Directors, at its discretion, to grant options to acquire shares in the Company to employees and directors of the Company or its subsidiaries. The subscription price for all options granted under the scheme is reduced by the amount of all dividends declared by the Company in the period from the date of grant until the date the option is exercised, provided the subscription price is never reduced below the par value of the share. The vesting periods of options granted under the Share Option Scheme will be specific to each grant. There is no maximum number of shares authorized for awards of equity share options and authorized, un-issued or treasury shares of the Company may be used to satisfy exercised options.

On September 7, 2018, the Company granted 110,000 share options\*, with an exercise price of \$14.30 per share\*, to an officer and employees in accordance with the terms of the Share Option Scheme. The grant date was determined as the date of resolution of the grant by the Board of Directors. The options vest equally based on three years of continuous service and have a five year contractual term.

On November 1, 2018, the Company granted a further 30,000 share options\*, with an exercise price of \$17.60 per share\*, to an officer in accordance with the terms of the Share Option Scheme. The grant date was determined as the date of resolution of the grant by the Board of Directors. The options vest equally based on three years of continuous service and have a five year contractual term.

The fair value of the newly granted option awards is estimated on the date of grant using a Black-Scholes option valuation model with the following assumptions:

	September 2018	November 2018
Risk free interest rate	1.44%	1.59%
Expected life (years)	5	5
Expected volatility	28.3%	36.8%
Expected dividend yield	—%	—%

The risk-free interest rate was estimated using the interest rate on five-year NOK treasury zero coupon issues. The volatility was estimated using historical volatility of share price data. The dividend yield has been estimated at 0% as the exercise price is reduced by all dividends declared by the Company from the date of grant to the exercise date. It was assumed that all of the options granted in September and November 2018 will vest and therefore no forfeitures were assumed. The effect of forfeitures is recognized as incurred.



The following table summarizes the unvested option activity for the year ended December 31, 2018 (there was no share options activity during 2017):

	Number of non-vested options	Weighted average exercise price per share (\$)	Weighted average remaining contractual term (years)	Weighted average grant date fair value (\$)	Aggregate intrinsic value
<b>At December 31, 2017</b>	—	—	—	—	—
Granted during the year*	141,000	15.00	4.59	15.00	2,115,300
Converted during the year	—	—	—	—	—
Forfeited during the year	—	—	—	—	—
Expired during the year	—	—	—	—	—
<b>At December 31, 2018</b>	<b>141,000</b>	<b>15.00</b>	<b>4.59</b>	<b>15.00</b>	<b>2,115,300</b>

As at December 31, 2018, there was \$0.7 million in unrecognized stock compensation expense related to non-vested options. As at December 31, 2017, there were no share options and therefore no unrecognized stock compensation related to non-vested options. Stock compensation expense of \$0.1 million was recognized in 2018, recognized in administrative expenses (2017: \$0.0 million). When a share option is exercised, the Board of Directors will use their right, according to the Bye-Laws, to issue new shares.

\*Share options and exercise prices have been retroactively adjusted for the one-to-ten reverse stock split which was effective from March 7, 2019, see Note 20 for more details.

## 16. SHORT-TERM AND LONG-TERM DEBT

The table below represents the annual principal payments to be made against our long-term debt, including the *Flex Rainbow* Sale and Leaseback (as defined below), after December 31, 2018:

<i>(in thousands of \$)</i>	2018
Due within:	
1 year	23,625
2 years	25,478
3 years	26,404
4 years	26,404
5 years	241,963
More than five years	116,156
<b>Total long term debt principals</b>	<b>460,030</b>
Less: debt issuance costs	(5,063)
<b>Total long term debt</b>	<b>454,967</b>

### \$315 million Secured Term Loan Facility

In December 2017, the Company, through three of its vessel owning subsidiaries, entered into a \$315 million secured term loan facility (the "\$315 Million Term Loan Facility") with a syndicate of banks to partially finance the first three of our newbuildings - *Flex Endeavour*, *Flex Enterprise* and *Flex Ranger*, which serve as collateral under the facility. In January 2018, the Company drew down two \$105 million loan tranches under the facility in connection with the delivery of the *Flex Endeavour* and the *Flex Enterprise*. The third \$105 million tranche was utilized in connection with the delivery of the *Flex Ranger* in June 2018. The Company and Flex LNG Fleet Limited, its wholly owned subsidiary, serve as guarantors under the facility. The facility bears interest at LIBOR plus a margin of 2.85% per annum and matures on June 22, 2023, which is five years from the delivery date of the third and final vessel financed under the facility, which was June 22, 2018.

Pursuant to the facility agreement, the Company has an option, subject consent from the lenders under the facility, to substitute one or more of the vessels which serve as collateral under the facility with other vessels in our fleet. The Company may also request the lenders to make available a fourth tranche to finance a fourth collateral vessel and to increase the amount of borrowings available under a tranche in the event that we secure employment for a collateral vessel with a duration of minimum five years and with a charterer acceptable to the lenders.



The facility has the following financial covenants, tested quarterly, which requires the Company (on a consolidated basis) to maintain at all times, among other things: (i) a book equity ratio of a minimum of 0.25 to 1.0, (ii) a positive working capital, and (iii) minimum liquidity of the higher of \$15 million or an amount equal to 5% of the Company's total interest bearing debt on a consolidated basis and net of any cash and cash equivalents. The facility also requires each vessel owning subsidiary acting as borrower under the facility to maintain at all times, among other things: (i) positive working capital and (ii) minimum liquidity of \$1.2 million. The facility includes a dividend restriction, limiting distributions to circumstances where (i) no default is existing on the time when the distribution is to be made or would result from the making, payment or declaration of the distribution; and (ii) such distributions are in aggregate limited to 50% of the Company's accumulated and consolidated annual net profits as from January 1, 2018 calculated on the basis of the ultimate parent's audited consolidated financial statements; or (iii) as otherwise consented to in writing by the facility agent. The facility also requires the Company to provide additional security or prepay an amount of the loan facility as necessary to maintain the fair market value of the vessels securing the loan facility at not less than specified percentages of the principal amount outstanding under the loan facility. The net outstanding amount under the facility as of December 31, 2018 was \$301.0 million (2017: \$0.0 million). At December 31, 2018, we were in compliance with all covenants under the facility.

### ***Flex Rainbow Sale and Leaseback***

In July 2018, the Company, through its wholly-owned subsidiary, Flex LNG Rainbow Ltd., which owned the *Flex Rainbow*, entered into a sale leaseback transaction (the "*Flex Rainbow Sale and Leaseback*"), for the vessel with a Hong Kong-based lessor for a lease period of ten years. The gross sales price under the lease was \$210 million, of which \$52.5 million represented advance hire for the ten year lease period. The agreement includes fixed price purchase options, whereby we have the option to re-purchase the vessel at or after the second anniversary of the agreement, and on each anniversary thereafter, until the end of the lease period. The bareboat rate payable under the lease has a fixed element, treated as principal repayment, and a variable element based on LIBOR plus a margin of 3.50% per annum calculated on the outstanding under the lease. The facility includes a covenant that requires us to provide additional security, by way of a deposit, as necessary to maintain the fair market value of the vessel at not less than a specified percentage of the principal amount outstanding under the lease. The net outstanding under the lease as at December 31, 2018 was \$154.0 million (2017: \$0.0 million). At December 31, 2018, we were in compliance with all covenants under the *Flex Rainbow Sale and Leaseback*.

### **\$270 million Revolving Credit Facility**

In March 2017, in connection with the Company's acquisition of the shipbuilding contracts for the *Flex Endeavour* and the *Flex Enterprise*, the Company, through its wholly-owned subsidiary, Flex LNG Fleet Limited, entered into a \$270 million revolving credit facility (the "\$270 Million Revolving Credit Facility") with Sterna Finance Ltd., ("Sterna"), a company related to Geveran. The Company serves as guarantor under the facility. The facility can be repaid partially or in full at any time at our discretion and we may continue to draw upon the facility at our discretion to the extent the total outstanding amount thereunder does not exceed \$270 million at any time. The facility matures 12 months following the delivery of the newbuilding *Flex Courageous*, which is expected to be delivered in August 2019, after which \$30 million will be available to us as borrowings for working capital until July 1, 2023, unless otherwise mutually agreed with the lender. The facility bears interest at LIBOR plus a margin of 3.0% per annum. There are no financial covenants under the \$270 Million Revolving Credit Facility. The net outstanding under the facility as at December 31, 2018 was \$0.0 million (2017: \$160.0 million).

## **17. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

The principal financial assets of the Company at December 31, 2018, and 2017 consist of cash and cash equivalents, and restricted cash. The principal financial liabilities of the Company consist of secured long term debt.

The guidance for fair value measurements applies to all assets and liabilities that are being measured and reported on a fair value basis. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The same guidance requires that assets and liabilities carried at fair value should be classified and disclosed in one of the following three categories based on the inputs used to determine its fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

The fair value of the Company's cash and cash equivalents and restricted cash approximates their carrying amounts reported in the accompanying consolidated balance sheets.

The fair value of secured term loan facilities and revolving credit facility is estimated based on the average of the current rates offered to the Company for all debt facilities. The carrying value approximates the fair market value for the floating rate loans and revolving credit facilities due to their variable interest rate, being LIBOR plus a fixed margin. This has been categorized at level 2 on the fair value measurement hierarchy.

The following table includes the estimated fair value and carrying value of those assets and liabilities.

<i>(in thousands of \$)</i>	Note	Fair value hierarchy level	<b>2018 Carrying amount of asset (liability)</b>	<b>2018 Fair value asset (liability)</b>	2017 Carrying amount of asset (liability)	2017 Fair value asset (liability)
Cash and cash equivalents	11	Level 1	<b>54,932</b>	<b>54,932</b>	9,961	9,961
Restricted cash	11	Level 1	<b>165</b>	<b>165</b>	—	—
Receivables due from related parties	16	Level 1	<b>1,720</b>	<b>1,720</b>	340	340
Account payable		Level 1	<b>(592)</b>	<b>(592)</b>	(76)	(76)
Payables due to related parties	16	Level 1	<b>(206)</b>	<b>(206)</b>	(810)	(810)
Long term debt	14	Level 2	<b>(454,967)*</b>	<b>(460,030)*</b>	(160,000)	(160,000)

\* Carrying value of Long-term debt is shown net deduction of debt issuing cost, while fair value of Long-term debt is shown gross.

There have been no transfers between different levels in the fair value hierarchy during the year.

## 18. RELATED PARTY TRANSACTIONS

In March 2017, in connection with the Company's acquisition of the shipbuilding contracts for the *Flex Endeavour* and the *Flex Enterprise*, the Company, through its wholly-owned subsidiary, Flex LNG Fleet Limited, entered into the \$270 Million Revolving Credit Facility with Sterna Finance Ltd., a company related to Geveran. Under the current terms of the facility, \$270 million will be available until 12 months following delivery of the newbuilding *Flex Courageous*, which is scheduled to be delivered in August 2019. Thereafter \$30 million will be available for working capital until July 1, 2023, unless otherwise mutually agreed with the lender. The facility bears interest at LIBOR plus a margin of 3.0% per annum. As of December 31, 2018, the outstanding indebtedness under the facility was \$0.0 million (2017: \$160.0 million) and the full amount of \$270 million is currently available for drawdown.

In May 2017, the Company entered into agreements with entities related to Geveran, for the acquisition of the two newbuilding MEGI LNG carriers *Flex Constellation* and *Flex Courageous* for a purchase price of \$180.0 million per vessel. The vessels are currently under construction at DSME pursuant to shipbuilding contracts between DSME and the sellers, who will continue to be responsible for the supervision of the construction of the vessels. The Company has made advance payments of \$36.0 million per vessel to the sellers in 2017, representing 20% of the purchase price. The remaining balance of \$144.0 million per vessel is due upon delivery to the Company, which is scheduled in June and August 2019, respectively.

In May 2018, the Company entered into agreements with entities related to Geveran for the acquisition of the two newbuilding X-DF LNG carriers *Flex Aurora* and *Flex Amber* for a purchase price of \$184.0 million per vessel. The vessels are currently under construction at HSHI pursuant to shipbuilding contracts between HSHI and the sellers, who will continue to be responsible for the supervision of the construction of the vessels. We made an advance payment of \$36.8 million per vessel to the sellers in 2018, representing 20% of the purchase price, with the remaining balance of \$147.2 million per vessel due upon the delivery of the respective vessels to us. The vessels are scheduled for delivery in the second and the third quarters of 2020, respectively.

In October 2018, the Company entered into agreements with entities related to Geveran, for the acquisition of five newbuilding LNG carriers, the *Flex Freedom*, *Flex Reliance*, *Flex Resolute*, *Flex Vigilant*, and *Flex Volunteer*, for an aggregate purchase price of \$918.0 million, or \$180.0 million per vessel with an additional cost of \$6.0 million per vessel for full re-liquefaction systems on three of the vessels. The *Flex Freedom*, *Flex Reliance* and *Flex Resolute* are MEGI LNG carriers under construction at DSME with two vessels scheduled for delivery in the third quarter of 2020 and the remaining vessel in the fourth quarter of 2020. The *Flex Vigilant* and *Flex Volunteer* are X-DF LNG carriers with expected delivery in first and second quarters of 2021, respectively. The sellers will continue to be responsible for the supervision of the construction of the vessels. We made advance payments of \$55.8 million for each of the three MEGI newbuildings and \$54.0 million for each of the two X-DF newbuildings in 2018, representing 30% of the purchase price. The

remaining balance of \$130.2 million for each of the three MEGI newbuildings and \$126.0 million for the two X-DF newbuildings is due upon the delivery of the respective vessels to us.



For the four newbuildings delivered in 2018, newbuilding supervision was provided by Frontline Management (Bermuda) Limited ("Frontline Management"), a related party. In the twelve month period to December 31, 2018, costs of \$1.5 million (2017: \$4.4 million) have been capitalized.

At December 31, 2018, the Company had related party receivables of \$1.1 million (2017: \$0.0 million) and \$0.7 million (2017: \$0.0 million) from Frontline Ltd. and Seatankers Management Co. Ltd. ("Seatankers"), respectively. At December 31, 2018, the Company had related party payables of \$0.1 million (2017: \$0.2 million) and \$0.1 million (2017: \$0.0 million) due to Frontline Management and Frontline Management AS respectively.

The Company has a service agreement with Frontline Management, under which it provides the Company with certain administrative support services, for which we pay our allocation of the actual costs they incur on our behalf, plus a margin. In the year ended December 31, 2018, the Company paid Frontline Management \$0.2 million (excluding newbuilding supervision) for these services (2017: \$1 million). The Company also has a services agreement with Seatankers, under which they provide us with certain advisory and support services, for which we pay our allocation of the actual costs they incur on our behalf, plus a margin. In the year ended December 31, 2018, we paid Seatankers \$0.6 million for such services (2017: \$0.3 million).

## 19. COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments for the Company as at December 31, 2018 are detailed in the table below.

<i>(in thousands of \$)</i>	2019	2020	2021	2022	2023	Thereafter	Total
Loan repayments	23,625	25,478	26,404	26,404	241,963	116,156	460,030
Newbuildings	288,000	685,000	252,000	—	—	—	1,225,000
<b>Total</b>	<b>311,625</b>	<b>710,478</b>	<b>278,404</b>	<b>26,404</b>	<b>241,963</b>	<b>116,156</b>	<b>1,685,030</b>

As at December 31, 2018, the Company had nine vessels to be delivered on a Norwegian Sales Form basis, whereby the Company has paid a deposit to the relevant seller at the time of entering into the agreements, with the remaining purchase price being payable upon delivery and transfer of title of the relevant vessel to us. The remaining capital expenditures on these newbuildings will include building supervision, but excludes future change requests, sundry buyers' supplies, fit out, studies and lube oils.

## 20. SUBSEQUENT EVENTS

In the first quarter of 2019, the Company has agreed to financing for a \$250 million secured term loan facility from a syndicate of banks for the two newbuildings *Flex Constellation* and *Flex Courageous*. The financing remains subject to the execution of the loan facility agreement and customary closing conditions, and is expected to be drawn upon delivery of the vessels from the shipyard, currently scheduled for June and August 2019, respectively. The facility will have a term of five years from delivery of the last vessel and will bear interest at LIBOR plus a margin of 2.35% per annum. The facility will contain a minimum value clause, and financial covenants that require FLEX LNG, on a consolidated basis, to maintain a book equity level of minimum 25%; a minimum liquidity being the higher of \$25 million and 5% of net interest bearing debt; and a positive working capital.

On March 4, 2019, the Company declared a one-for-ten reverse stock split with an effective date of March 7, 2019. The common share par value was adjusted as a result of the reverse stock split to the value of \$0.10 per share. In line with the guidance in ASC 260 "Earnings Per Share", we have retroactively adjusted for this change in the balance sheet and applicable footnote disclosures.

June -8 2017



**BERMUDA**  
THE COMPANIES ACT 1981

**MEMORANDUM OF CONTINUANCE OF COMPANY  
LIMITED BY SHARES**  
(Section. 132C(2))

**MEMORANDUM OF CONTINUANCE  
OF**

**FLEX LNG LTD.**  
(hereinafter referred to as the “Company”)

1. The liability of the members of the Company is limited to the amount (if any) for the time being unpaid on the shares respectively held by them.
  2. The Company is an exempted company as defined by the Companies Act 1981.
  3. The authorised share capital of the Company shall be US\$1,000,000,000 divided into 100,000,000,000 shares of US\$0.01 par value each.
  4. The Company, with the consent of the Minister of Finance, has power to hold land situate in Bermuda not exceeding NIL in all, including the following parcels:-  
  
Not applicable.
  5. Details of Incorporation:  
  
The Company was incorporated under the name FLEX LNG LTD pursuant to the laws of the British Virgin Islands on 31 August 2006.
  6. The objects of the Company from the date of continuance are unrestricted.
-

7. The following are provisions regarding the powers of the Company -

The Company shall have the capacity, rights, powers and privileges of a natural person.

The Company shall have, pursuant to Section 42 of the Companies Act 1981, the power to issue preference shares which are liable to be redeemed at the option of the holder.

The Company shall have, pursuant to Section 42A of the Companies Act 1981, the power to purchase its own shares for cancellation.

The Company shall have, pursuant to Section 42B of the Companies Act 1981, the power to acquire its own shares to be held as treasury shares.

Signed by a duly authorised person in the presence of at least one witness attesting the signature thereof:

/s/ M. Hermansen  
Director M. Hermansen

/s/ L. Barstad  
Witness L. Barstad

Dated this 8<sup>th</sup> day of June 2017.

**BYE – L A W S**

**OF**

**FLEX LNG LTD.**

I HEREBY CERTIFY that the within-written bye-laws are a true copy of the bye-laws of FLEX LNG LTD. as approved by the shareholders of the above company and effective on the 8th of June 2017.



/s/ Georgina E. Sousa  
Georgina E. Sousa  
Secretary

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## TABLE OF CONTENTS

INTERPRETATION	1
REGISTERED OFFICE	3
SHARE RIGHTS	3
MODIFICATION OF RIGHTS	4
POWER TO PURCHASE OWN SHARES	5
SHARES	5
CERTIFICATES	6
LIEN	6
CALLS ON SHARES	7
FORFEITURE OF SHARES	8
REGISTER OF SHAREHOLDERS	9
REGISTER OF DIRECTORS AND OFFICERS	9
TRANSFER OF SHARES	9
TRANSMISSION OF SHARES	12
INCREASE OF CAPITAL	13
ALTERATION OF CAPITAL	13
REDUCTION OF CAPITAL	14
GENERAL MEETINGS AND WRITTEN RESOLUTIONS	14
NOTICE OF GENERAL MEETINGS	15
PROCEEDINGS AT GENERAL MEETINGS	16
VOTING	17
PROXIES AND CORPORATE REPRESENTATIVES	19
APPOINTMENT AND REMOVAL OF DIRECTORS	21
RESIGNATION AND DISQUALIFICATION OF DIRECTORS	21
ALTERNATE DIRECTORS	22
DIRECTORS' FEES AND ADDITIONAL REMUNERATION AND EXPENSES	22
DIRECTORS' INTERESTS	23
POWERS AND DUTIES OF THE BOARD	24
DELEGATION OF THE BOARD'S POWERS	25

PROCEEDINGS OF THE BOARD	26
OFFICERS	28
MINUTES	28
SECRETARY AND RESIDENT REPRESENTATIVE	28
THE SEAL	29
DIVIDENDS AND OTHER PAYMENTS	29
RESERVES	30
CAPITALISATION OF PROFITS	31
RECORD DATES	31
ACCOUNTING RECORDS	31
AUDIT	32
SERVICE OF NOTICES AND OTHER DOCUMENTS	32
WINDING UP	33
INDEMNITY	33
CONTINUATION	35
ALTERATION OF BYE-LAWS	35

## **BYE – L A W S**

**of**

**FLEX LNG LTD.**

### **INTERPRETATION**

1. In these Bye-laws, and any Schedule, unless the context otherwise requires:

**"Alternate Director"** means such person or persons as shall be appointed from time to time pursuant to Bye-law 98;

**"Annual General Meeting"** means a meeting convened by the Company pursuant to Section 710) of the 1981 Act;

**"Bermuda"** means the Islands of Bermuda;

**"Board"** means the Board of Directors of the Company or the Directors present at a meeting of Directors at which there is a quorum;

**"Bye-laws"** means these Bye-laws in their present form or as they may be amended from time to time;

**"Branch Register"** means a branch of the Register maintained by the Registrar in the VPS pursuant to the terms of a registrar agreement with the Company, which may be established by the Company at the time determined by the Board;

**"the Companies Acts"** means every Bermuda statute from time to time in force concerning companies insofar as the same applies to the Company including, without limitation, the Principal Act;

**"Company"** means the company continued in Bermuda under the name of FLEX LNG LTD. on the 8<sup>th</sup> day of June 2017;

**"Director"** means such person or persons as shall be elected or appointed to the Board from time to time pursuant to Bye-law 94, Bye-law 95, or the Companies Acts;

**"Finance Officer"** means such person or persons other than the Resident Representative appointed from time to time by the Board pursuant to Bye-law 114 and 126 to act as the Finance Officer of the Company;

**"Listing Exchange"** means any stock exchange or quotation system upon which any of the shares of the Company are listed from time to time;

**"Officer"** means such person or persons as shall be appointed from time to time by the Board pursuant to Bye-law 126;

**"paid up"** means paid up or credited as paid up;

**"Principal Act"** means The Companies Act, 1981 as amended, restated or re-enacted from time to time;

**"Register"** means the Register of Shareholders of the Company;

**"Registered Office"** means the registered office for the time being of the Company;

**"Registrar"** means such person or body corporate who may from time to time be appointed by the Board as registrar of the Company with responsibility to maintain the Branch Register under these Bye-laws;

**"Resident Representative"** means any person appointed to act as the resident representative of the Company and includes any deputy or assistant resident representatives;

**"Resolution"** means a resolution of the Shareholders or, where required, of a separate class or separate classes of Shareholders, adopted either in general meeting or by written resolution, in accordance with the provisions of these Bye-laws;

**"Seal"** means the common seal of the Company, if any, and includes any duplicate thereof;

**"Secretary"** means the person appointed to perform any or all of the duties of the secretary of the Company and includes a temporary or assistant Secretary and any person appointed by the Board to perform any of the duties of the Secretary;

**"Shareholder"** means a shareholder or member of the Company;

**"Share Option Scheme"** means a scheme established pursuant to Bye-law 111 for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of: -

- (a) the Directors and Officers of the Company (whether employees or not);
- (b) the bona fide employees or former employees of the Company or any subsidiary of the Company; or
- (c) the wives, husbands, widows, widowers or children or step-children under the age of 18 of such employees or former employees;

**"Special General Meeting"** means a general meeting, other than the Annual General Meeting;



**"Treasury Shares"** means any share of the Company that was acquired and held by the Company, or as treated as having been acquired and held by the Company, which has been held continuously by the Company since it was acquired and which has not been cancelled;

**"VPS"** means Verdipapirsentralen ASA, a Norwegian corporation maintaining a computerized central share registry in Oslo, Norway, for bodies corporate and shall include any successor registry;

for the purposes of these Bye-laws a corporation shall be deemed to be present in person if its representative duly authorised pursuant to the Companies Acts is present;

words importing only the singular number include the plural number and vice versa;

words importing only the masculine gender include the feminine and neuter genders respectively;

words importing persons include companies or associations or bodies of persons, whether corporate or un-incorporate wherever established;

reference to writing shall include typewriting, printing, lithography, photography and other modes of representing or reproducing words in a legible and non-transitory form;

2. Unless otherwise defined herein, any words or expressions defined in the Principal Act in force on the date when these Bye-laws, or any part hereof, are adopted shall bear the same meaning in these Bye-laws or such part (as the case may be).
3. Any reference in these Bye-laws to any statute or section thereof shall unless expressly stated, be deemed to be a reference to such statute or section as amended, restated or re-enacted from time to time.

#### **REGISTERED OFFICE**

4. The Registered Office shall be at such place in Bermuda as the Board shall from time to time appoint.

#### **SHARE RIGHTS**

5. Subject to any special rights conferred on the holders of any share or class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Board may determine.

- 5A.** The Board may exercise all the powers of the Company to:
- (a) divide the Company's shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;
  - (b) consolidate and divide all or any of the Company's share capital into shares of larger amount than its existing shares;
  - (c) subdivide the Company's shares, or any of them, into shares of smaller amount than is fixed by the memorandum, so, however, that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; or
  - (d) make provision for the issue and allotment of shares which do not carry any voting rights.
- 6.** Subject to the Companies Acts, any preference shares may, with the sanction of a Resolution, be issued on terms:
- (a) that they are to be redeemed on the happening of a specified event or on a given date; and/or,
  - (b) that they are liable to be redeemed at the option of the Company; and/or,
  - (c) if authorised by the memorandum of association of the Company, that they are liable to be redeemed at the option of the holder.
- 7.** The terms and manner of redemption of any preference shares shall be either as the Company may in general meeting determine or as the Board of Directors or any committee thereof may be resolution determine before the issuance of such shares.
- 8.** At any time that the Company holds Treasury Shares, all of the rights attaching to the Treasury Shares shall be suspended and shall not be exercised by the Company. Without limiting the generality of the foregoing, if the Company holds Treasury Shares, the Company shall not have any right to attend and vote at a general meeting or sign written resolutions and any purported exercise of such a right is void.
- 9.** Except where required by the Principal Act, Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital, or shares, of the Company.

#### **MODIFICATION OF RIGHTS**

- 10.** Subject to the Companies Acts, all or any of the special rights for the time being attached to any class of shares for the time being issued may from time to time

(whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the holders of not less than seventy five percent of the issued shares of that class or with the sanction of a resolution passed at a separate general meeting of the holders of such shares voting in person or by proxy. To any such separate general meeting, all the provisions of these Bye-laws as to general meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be two or more persons holding or representing by proxy any of the shares of the relevant class, that every holder of shares of the relevant class shall be entitled on a poll to one vote for every such share held by him and that any holder of shares of the relevant class present in person or by proxy may demand a poll; provided, however, that if the Company or a class of Shareholders shall have only one Shareholder, one Shareholder present in person or by proxy shall constitute the necessary quorum.

11. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking pari passu therewith.

#### **POWER TO PURCHASE OWN SHARES**

12. The Company shall have the power to purchase its own shares for cancellation.
13. The Company shall have the power to acquire its own shares to be held as Treasury Shares.
14. The Board may exercise all of the powers of the Company to purchase or acquire its own shares, whether for cancellation or to be held as Treasury Shares in accordance with the Principal Act.

#### **SHARES**

15. Subject to the provisions of these Bye-laws, the unissued shares of the Company (whether forming part of the original capital or any increased capital) shall be at the disposal of the Board, which may offer, allot, re-classify, grant options over any unissued shares of the Company, grant warrants or other securities with rights to convert such securities into shares of the Company or otherwise dispose of the Company's unissued shares, to such persons, at such times and for such consideration and upon such terms and conditions as the Board may determine.
16. The Board may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by law.
17. Except as ordered by a court of competent jurisdiction or as required by law, no person shall be recognised by the Company as holding any share upon trust and the Company shall not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as otherwise

provided in these Bye-laws or by law) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.

## **CERTIFICATES**

- 18.** The preparation, issue and delivery of share certificates shall be governed by the Companies Acts. In the case of a share held jointly by several persons, delivery of a certificate to one of several joint holders shall be sufficient delivery to all.
- 19.** If a share certificate is defaced, lost or destroyed it may be replaced without fee but on such terms (if any) as to evidence and indemnity and to payment of the costs and out of pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board may think fit and, in case of defacement, on delivery of the old certificate to the Company.
- 20.** All certificates for share or loan capital or other securities of the Company (other than letters of allotment, scrip certificates and other like documents) shall, except to the extent that the terms and conditions for the time being relating thereto otherwise provide, be issued under the Seal or bearing the signature of at least one person who is a Director or Secretary of the Company or a person expressly authorized to sign such certificates on behalf of the Company. The Board may by resolution determine, either generally or in any particular case, that any signatures on any such certificates need not be autographic but may be affixed to such certificates by some mechanical means or may be printed thereon.

## **LIEN**

- 21.** The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable, at a date fixed by or in accordance with the terms of issue of such share in respect of such share, and the Company shall also have a first and paramount lien on every share (other than a fully paid share) standing registered in the name of a Shareholder, whether singly or jointly with any other person, for all the debts and liabilities of such Shareholder or his estate to the Company, whether the same shall have been incurred before or after notice to the Company of any interest of any person other than such Shareholder, and whether the time for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Shareholder or his estate and any other person, whether a Shareholder or not. The Company's lien on a share shall extend to all dividends payable thereon. The Board may at any time, either generally or in any particular case, waive any lien that has arisen or declare any share to be wholly or in part exempt from the provisions of this Bye-law.
- 22.** The Company may sell, in such manner as the Board may think fit, any share on which the Company has a lien but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of fourteen days after a notice in writing, stating and demanding payment of the sum presently

payable and giving notice of the intention to sell in default of such payment, has been served on the holder for the time being of the share.

23. The net proceeds of sale by the Company of any shares on which it has a lien shall be applied in or towards payment or discharge of the debt or liability in respect of which the lien exists so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the holder of the share immediately before such sale. For giving effect to any such sale the Board may authorise some person to transfer the share sold to the purchaser thereof. The purchaser shall be registered as the holder of the share and he shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the sale.

## **CALLS ON SHARES**

24. The Board may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their shares (whether on account of the par value of the shares or by way of premium) and not by the terms of issue thereof made payable at a date fixed by or in accordance with such terms of issue, and each Shareholder shall (subject to the Company serving upon him at least fourteen days notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Board may determine.
25. A call may be made payable by installments and shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed.
26. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof
27. If a sum called in respect of the share shall not be paid before or on the day appointed for payment thereof the person from whom the sum is due shall pay interest on the sum from the day appointed for the payment thereof to the time of actual payment at such rate as the Board may determine, but the Board shall be at liberty to waive payment of such interest wholly or in part.
28. Any sum which, by the terms of issue of a share, becomes payable on allotment or at any date fixed by or in accordance with such terms of issue, whether on account of the nominal amount of the share or by way of premium, shall for all the purposes of these Bye-laws be deemed to be a call duly made, notified and payable on the date on which, by the terms of issue, the same becomes payable and, in case of non-payment, all the relevant provisions of these Bye-laws as to payment of interest, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
29. The Board may on the issue of shares differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

## FORFEITURE OF SHARES

30. If a Shareholder fails to pay any call or installment of a call on the day appointed for payment thereof, the Board may at any time thereafter during such time as any part of such call or installment remains unpaid serve a notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.
31. The notice shall name a further day (not being less than 14 days from the date of the notice) on or before which, and the place where, the payment required by the notice is to be made and shall state that, in the event of non-payment on or before the day and at the place appointed, the shares in respect of which such call is made or installment is payable will be liable to be forfeited. The Board may accept the surrender of any share liable to be forfeited hereunder and, in such case, references in these Bye-laws to forfeiture shall include surrender.
32. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
33. When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share; but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice as aforesaid.
34. A forfeited share shall be deemed to be the property of the Company and may be sold, re-offered or otherwise disposed of either to the person who was, before forfeiture, the holder thereof or entitled thereto or to any other person upon such terms and in such manner as the Board shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture may be cancelled on such terms as the Board may think fit.
35. A person whose shares have been forfeited shall thereupon cease to be a Shareholder in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares with interest thereon at such rate as the Board may determine from the date of forfeiture until payment, and the Company may enforce payment without being under any obligation to make any allowance for the value of the shares forfeited.
36. An affidavit in writing that the deponent is a Director or the Secretary and that a share has been duly forfeited on the date stated in the affidavit shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration (if any) given for the share

on the sale, re-allotment or disposition thereof and the Board may authorise some person to transfer the share to the person to whom the same is sold, re-allotted or disposed of, and he shall thereupon be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, sale, re-allotment or disposal of the share.

## **REGISTER OF SHAREHOLDERS**

37. The Secretary shall establish and maintain the Register of Shareholders in the manner prescribed by the Companies Acts. Unless the Board otherwise determines, the Register of Shareholders shall be open to inspection in the manner prescribed by the Companies Acts between 10.00 a.m. and 12.00 noon on every working day. Unless the Board otherwise determines, no Shareholder or intending Shareholder shall be entitled to have entered in the Register any indication of any trust or any equitable,<sup>4</sup> contingent, future or partial interest in any share or any interest in any fractional part of a share and if any such entry exists or is permitted by the Board it shall not be deemed to abrogate any of the provisions of Bye-law 18.
38. Subject to the Companies Act, at the time determined by the Board, the Company shall establish the Branch Register, and the Board may make and vary such regulations as it determines in respect of the keeping of the Branch Register.

## **REGISTER OF DIRECTORS AND OFFICERS**

39. The Secretary shall establish and maintain a register of the Directors and Officers of the Company as required by the Companies Acts. Every Officer that is also a Director and the Secretary must be listed officers of the Company in the Register of Directors and Officers. The register of Directors and Officers shall be open to inspection in the manner prescribed by the Companies Acts between 10.00 a.m. and 12.00 noon on every working day.

## **TRANSFER OF SHARES**

40. Subject to the Companies Acts and to such of the restrictions contained in these Bye-laws as may be applicable, any Shareholder may transfer all or any of his shares by an instrument of transfer in the usual common form or in any other form which the Board may approve.
41. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, where any share is not fully-paid, the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof Should the Company be permitted to do so under the laws of Bermuda, the Board may, either generally or in any particular case, upon request by the transferor or the transferee, accept mechanically or electronically executed transfer and may also make such regulations with respect to transfer in addition to the provisions of these Bye-

Laws as it considers appropriate. The Board may, in its absolute discretion, decline to register any transfer of any share which is not a fully-paid share. In addition:

- (i) The Board shall decline to register the transfer of any share, and shall direct the Registrar to decline (and the Registrar shall decline) to register the transfer of any interest in any share held through a Branch Register, to a person where the Board is of the opinion that such transfer might breach any law or requirement of any authority or any Listing Exchange until it has received such evidence as it may require to satisfy itself that no such breach would occur.
- (ii) The Board may decline to register the transfer of any share, and may direct the Registrar to decline (and the Registrar shall decline if so requested) to register the transfer of any interest in any share held through a Branch Register, if the registration of such transfer would be likely, in the opinion of the Board, to result in fifty percent or more of the aggregate issued share capital of the Company or shares of the Company to which are attached fifty percent or more of the votes attached to all outstanding shares of the Company being held or owned directly or indirectly, (including, without limitation, through a Branch Register) by a person or persons resident for tax purposes in Norway, provided that this provision shall not apply to the registration of shares in the name of the Registrar as nominee of persons whose interests in such shares are reflected in a Branch Register, but shall apply, mutatis mutandis, to interests in shares of the Company held by persons through a Branch Register.
- (iii) For the purposes of this Bye-Law, each Shareholder (other than the Registrar in respect of those shares registered in its name in the Register as nominee of persons whose interests in such shares are reflected in a Branch Register) shall be deemed to be resident for tax purposes in the jurisdiction specified in the address shown in the Register for such Shareholder, and each person whose interests in shares are reflected in a Branch Register shall be deemed to be resident for tax purposes in the jurisdiction specified in the address shown in a Branch Register for such person. If such Shareholder or person is not resident for tax purpose in such jurisdiction or if there is a subsequent change in his residence for tax purposes, such Shareholder shall notify the Company immediately of his residence for tax purposes.
- (iv) Where any Shareholder or person whose interests in shares are reflected in a Branch Register fails to notify the Company in accordance with the foregoing, the Board and the Registrar may suspend sine die such Shareholder's or person's entitlement to vote or otherwise exercise any rights attaching to the shares or interests therein and to receive payments of income or capital which become due or payable in respect of such



shares or interests and the Company shall have no liability to such Shareholder or person arising out of the late payment or non-payment of such sums and the Company may retain such sums for its own use and benefit. In addition to the foregoing the Board and the Registrar may dispose of the shares in the Company or interests herein of such Shareholder or person at the best price reasonably obtainable in all the circumstances. Where a notice informing such Shareholder or person of the proposed disposal of his shares or interests therein has been served, his shares or interest therein may not be transferred otherwise than in accordance with this Bye-Law 41 and any other purported transfer of such shares or interests therein shall not be registered in the Register and/or a Branch Register and shall be null and void.

- (v) The provision of these Bye-Laws relating to the protection of purchaser of shares sold under lien or upon forfeiture shall apply mutatis mutandis to a disposal of shares or interests therein by the Company or the Registrar in accordance with this Bye-Law.
- (vi) If fifty percent or more of the aggregate issued share capital of the Company or shares to which are attached fifty percent or more of the votes attached to all outstanding shares of the Company are found to be held or owned directly or indirectly (including, without limitation, through a Branch Register) by a person or persons resident for tax purposes in Norway, other than the Registrar in respect of those shares registered in its name in the Register as nominee of persons whose interests in such shares are reflected in a Branch Register, the Board shall make an announcement to such effect through the Oslo Stock Exchange, and the Board and the Registrar shall thereafter be entitled and required to dispose of such number of shares of the Company or interests therein held or owned by such persons as will result in the percentage of the aggregate issued share capital of the Company held or owned as aforesaid being less than fifty percent, and, for these purposes, the Board and the Registrar shall in such case dispose of shares or interests therein owned by persons resident for tax purposes in Norway on the basis that the shares or interests therein most recently acquired shall be the first to be disposed of (i.e. on the basis of last acquired first sold) save where there is a breach of the obligation to notify tax residency pursuant to the foregoing, in which event the shares or interests therein of the person in breach thereof shall be sold first. Shareholders shall not be entitled to raise any objection to the disposal of their shares, but the provisions of these Bye-Laws relating to the protection of purchasers of shares sold under lien or upon forfeiture shall apply mutatis mutandis to any disposal of shares or interests therein made in accordance with this Bye-Law 41.

42. Without limiting the generality of the foregoing, the Board may also decline to register any transfer unless:

- (a) the instrument of transfer is duly stamped and lodged with the Company, accompanied by the certificate for the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer,
- (b) the instrument of transfer is in respect of only one class of share,
- (c) where applicable, the permission of the Bermuda Monetary Authority with respect thereto has been obtained.

Subject to any directions of the Board from time to time in force, the Secretary may exercise the powers and discretion of the Board under Bye-law 42 and Bye-laws 40 and 41.

- 43. If the Board declines to register a transfer it shall, within three months after the date on which the instrument of transfer was lodged, send to the transferee notice of such refusal.
- 44. No fee shall be charged by the Company for registering any transfer, probate, letters of administration, certificate of death or marriage, power of attorney, distringas or stop notice, order of court or other instrument relating to or affecting the title to any share, or otherwise making an entry in the Register and/or the Branch Register (if established) relating to any share.
- 45. The Company may dispose of or transfer Treasury Shares for cash or other consideration.

#### **TRANSMISSION OF SHARES**

- 46. In the case of the death of a Shareholder, the survivor or survivors, where the deceased was a joint holder, and the estate representative, where he was sole holder, shall be the only person recognised by the Company as having any title to his shares; but nothing herein contained shall release the estate of a deceased holder (whether the sole or joint) from any liability in respect of any share held by him solely or jointly with other persons. For the purpose of this Bye-law, estate representative means the person to whom probate or letters of administration has or have been granted in Bermuda or, failing any such person, such other person as the Board may in its absolute discretion determine to be the person recognised by the Company for the purpose of this Bye-law.
- 47. Any person becoming entitled to a share in consequence of the death of a Shareholder or otherwise by operation of applicable law may, subject as hereafter provided and upon such evidence being produced as may from time to time be required by the Board as to his entitlement, either be registered himself as the holder of the share or elect to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled elects to be registered himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have his nominee registered, he shall

signify his election by signing an instrument of transfer of such share in favour of his nominee. All the limitations, restrictions and provisions of these Bye-laws relating to the right to transfer and the registration of transfer of shares shall be applicable to any such notice or instrument of transfer as aforesaid as if the death of the Shareholder or other event giving rise to the transmission had not occurred and the notice or instrument of transfer was an instrument of transfer signed by such Shareholder.

48. A person becoming entitled to a share in consequence of the death of a Shareholder or otherwise by operation of applicable law shall (upon such evidence being produced as may from time to time be required by the Board as to his entitlement) be entitled to receive and may give a discharge for any dividends or other moneys payable in respect of the share, but he shall not be entitled in respect of the share to receive notices of or to attend or vote at general meetings of the Company or, save as aforesaid, to exercise in respect of the share any of the rights or privileges of a Shareholder until he shall have become registered as the holder thereof. The Board may at any time give notice requiring such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within sixty days the Board may thereafter withhold payment of all dividends and other moneys payable in respect of the shares until the requirements of the notice have been complied with.
49. Subject to any directions of the Board from time to time in force, the Secretary may exercise the powers and discretions of the Board under Bye-laws 46, 47 and 48.

#### **INCREASE OF CAPITAL**

50. The Company may from time to time increase its capital by such sum to be divided into shares of such par value as the Company by Resolution shall prescribe.
51. The Company may, by the Resolution increasing the capital, direct that the new shares or any of them shall be offered in the first instance either at par or at a premium or (subject to the provisions of the Companies Acts) at a discount to all the holders for the time being of shares of any class or classes in proportion to the number of such shares held by them respectively or make any other provision as to the issue of the new shares.
52. The new shares shall be subject to all the provisions of these Bye-laws with reference to lien, the payment of calls, forfeiture, transfer, transmission and otherwise.

#### **ALTERATION OF CAPITAL**

53. The Company may from time to time by Resolution:
- (a) cancel shares which, at the date of the passing of the Resolution in that behalf, have not been taken or agreed to be taken by any person, and

diminish the amount of its share capital by the amount of the shares so cancelled; and

(b) change the currency denomination of its share capital.

54. Where any difficulty arises in regard to any division, consolidation, or sub-division under Bye-law 53, the Board may settle the same as it thinks expedient and, in particular, may arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale in due proportion amongst the Shareholders who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to the purchaser thereof, who shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.
55. Subject to the Companies Acts and to any confirmation or consent required by law or these Bye-laws, the Company may by Resolution from time to time convert any preference shares into redeemable preference shares.

#### **REDUCTION OF CAPITAL**

56. Subject to the Companies Acts, its memorandum and any confirmation or consent required by law or these Bye-laws, the Company may from time to time by Resolution authorise the reduction of its issued share capital or any capital redemption reserve fund or any share premium or contributed surplus account in any manner.
57. In relation to any such reduction, the Company may by Resolution determine the terms upon which such reduction is to be effected including in the case of a reduction of part only of a class of shares, those shares to be affected.

#### **GENERAL MEETINGS AND WRITTEN RESOLUTIONS**

58. The Board shall convene and the Company shall hold general meetings as Annual General Meetings in accordance with the requirements of the Companies Acts at such times and places as the Board shall appoint. The Board may, whenever it thinks fit, and shall, when required by the Companies Acts, convene general meetings other than Annual General Meetings which shall be called Special General Meetings. Any such Annual or Special General meeting shall be held at the Registered Office of the Company in Bermuda or such other location suitable for such purpose and in no event shall any such Annual or Special General Meeting be held in Norway or the United Kingdom.
59. Except in the case of the removal of auditors and Directors and subject to these Bye-laws, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Shareholders of the Company may, without a meeting be done by resolution in writing, signed by a simple majority of all of the Shareholders (or such greater majority as is required

by the Companies Acts or these Bye-laws) or their proxies, or in the case of a Shareholder that is a corporation (whether or not a company within the meaning of the Companies Acts) on behalf of such Shareholder, being all of the Shareholders of the Company who at the date of the resolution in writing would be entitled to attend a meeting and vote on the resolution. Such resolution in writing may be signed by, or in the case of a Shareholder that is a corporation (whether or not a company within the meaning of the Companies Acts), on behalf of, all the Shareholders of the Company, or any class thereof, in as many counterparts as may be necessary.

60. Notice of any resolution to be made under Bye-law 59 shall be given, and a copy of the resolution shall be circulated, to all members who would be entitled to attend a meeting and vote on the resolution in the same manner as that required for a notice of a meeting of members at which the resolution could have been considered, except that any requirement in this Act or in these Bye-laws as to the length of the period of notice shall not apply.
61. A resolution in writing is passed when it is signed by, or, in the case of a member that is a corporation (whether or not a company within the meaning of the Companies Acts) on behalf of, such number of the Shareholders of the Company who at the date of the notice represent a majority of votes as would be required if the resolution had been voted on at a meeting of Shareholders.
62. A resolution in writing made in accordance with Bye-law 59 is as valid as if it had been passed by the Company in general meeting or, if applicable, by a meeting of the relevant class of Shareholders of the Company, as the case may be. A resolution in writing made in accordance with Bye-law 59 shall constitute minutes for the purposes of the Companies Acts and these Bye-laws.
63. The accidental omission to give notice to, or the non-receipt of a notice by, any person entitled to receive notice of a resolution does not invalidate the passing of a resolution.

#### **NOTICE OF GENERAL MEETINGS**

64. An Annual General Meeting shall be called by not less than 5 days' notice in writing and a Special General Meeting shall be called by not less than 5 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, day and time of the meeting, and, in the case of a Special General Meeting, the general nature of the business to be considered. Notice of every general meeting shall be given in any manner permitted by these Bye-laws. Shareholders other than those required to be given notice under the provisions of these Bye-laws or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company.

65. Notwithstanding that a meeting of the Company is called by shorter notice than that specified in this Bye-law, it shall be deemed to have been duly called if it is so agreed:
- (a) in the case of a meeting called as an Annual General Meeting, by all the Shareholders entitled to attend and vote thereat;
  - (b) in the case of any other meeting, by a majority in number of the Shareholders having the right to attend and vote at the meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right;

provided that notwithstanding any provision of these Bye-Laws, no Shareholder shall be entitled to attend any general meeting unless notice in writing of the intention to attend and vote in person or by proxy signed by or on behalf of the Shareholder (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) addressed to the Secretary is deposited (by post, courier, facsimile transmission or other electronic means) at the Registered Office at least 48 hours before the time appointed for holding the general meeting or adjournment thereof.

66. The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non-receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

### **PROCEEDINGS AT GENERAL MEETINGS**

67. No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman, which shall not be treated as part of the business of the meeting. Save as otherwise provided by these Bye-Laws, at least two Shareholders present in person or represented by proxy and entitled to vote (whatever the number of shares held by them) shall be a quorum for all purposes (including for greater certainty any Resolution for the amalgamation or merger of the Company), provided however that if the Company shall have only one Shareholder, such Shareholder, present in person or by proxy, shall constitute the necessary quorum.
68. If within five minutes (or such longer time as the chairman of the meeting may determine to wait) after the time appointed for the meeting, a quorum is not present, the meeting, if convened on the requisition of Shareholders, shall be dissolved. In any other case, it shall stand adjourned to such other day and such other time and place as the chairman of the meeting may determine and at such adjourned meeting two Shareholders present in person or by proxy (whatever the number of shares held by them) shall be a quorum provided that if the Company shall have only one

Shareholder, one Shareholder present in person or by proxy shall constitute the necessary quorum. The Company shall give not less than 5 clays' notice of any meeting adjourned through want of a quorum and such notice shall state that the sole Shareholder or, if more than one, two Shareholders present in person or by proxy (whatever the number of shares held by them) shall be a quorum.

69. A meeting of the Shareholders or any class thereof may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously and participation in such a meeting shall constitute presence in person at such meeting.
70. Each Director shall be entitled to attend and speak at any general meeting of the Company.
71. The Chairman (if any) of the Board shall preside as chairman at every general meeting. If there is no such Chairman, or if at any meeting the Chairman is not present within five (5) minutes after the time appointed for holding the meeting the Directors present shall choose one of their number to act or if one Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, the persons present and entitled to vote on a poll shall elect one of their number to be chairman.
72. The chairman of the meeting may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for three months or more, notice of the adjourned meeting shall be given as in the case of an original meeting.
73. Save as expressly provided by these Bye-laws, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

## VOTING

74. Save where a greater majority is required by the Companies Acts or these Bye-laws, any question proposed for consideration at any general meeting shall be decided on by a simple majority of votes cast.
- 76A. The Board may, with the sanction of a Resolution, amalgamate the Company with another company (whether or not such an amalgamation involves a change in the jurisdiction of the Company) or merge the Company with another company (whether or not the Company is the surviving company and whether or not such a merger involves a change in the jurisdiction of the Company).

75. At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands or by a count of votes received in the form of electronic records unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:
- (a) the chairman of the meeting; or
  - (b) at least three Shareholders present in person or represented by proxy; or
  - (c) any Shareholder or Shareholders present in person or represented by proxy and holding between them not less than one tenth of the total voting rights of all the Shareholders having the right to vote at such meeting; or
  - (d) a Shareholder or Shareholders present in person or represented by proxy holding shares conferring the right to vote at such meeting, being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all such shares conferring such right.
76. Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has, on a show of hands or on a count of votes received in the form of electronic records, been carried or carried unanimously or by a particular majority or not carried by a particular majority or lost shall be final and conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence of the fact without proof of the number of votes recorded for or against such resolution.
77. If a poll is duly demanded, the result of the poll shall be deemed to be the resolution of the meeting at which the poll is demanded.
78. A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken in such manner and either forthwith or at such time (being not later than three months after the date of the demand) and place as the chairman shall direct. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll.
79. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded and it may be withdrawn at any time before the close of the meeting or the taking of the poll, whichever is the earlier.
80. On a poll, votes may be cast either personally or by proxy.
81. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.
82. In the case of an equality of votes at a general meeting, whether on a show of hands, a count of votes received in the form of electronic records or on a poll, the chairman of such meeting shall not be entitled to a second or casting vote.



- 83.** In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.
- 84.** A Shareholder who is a patient for any purpose of any statute or applicable law relating to mental health or in respect of whom an order has been made by any Court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, whether on a show of hands or on a poll, by his receiver, committee, curator bonis or other person in the nature of a receiver, committee or curator bonis appointed by such Court and such receiver, committee, curator bonis or other person may vote on a poll by proxy, and may otherwise act and be treated as such Shareholder for the purpose of general meetings.
- 85.** No Shareholder shall, unless the Board otherwise determines, be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.
- 86.** If (i) any objection shall be raised to the qualification of any voter or (ii) any votes have been counted which ought not to have been counted or which might have been rejected or (iii) any votes are not counted which ought to have been counted, the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be final and conclusive.

#### **PROXIES AND CORPORATE REPRESENTATIVES**

- 87.** The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised by him in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
- 88.** Any Shareholder may appoint a standing proxy or (if a corporation) representative by depositing at the Registered Office a proxy or (if a corporation) an authorisation and such proxy or authorisation shall be valid for all general meetings and adjournments thereof or, resolutions in writing, as the case may be, until notice of revocation is received at the Registered Office which if permitted by the Principal Act may be in the form of an electronic record. Where a standing proxy or authorisation exists, its operation shall be deemed to have been suspended at any general meeting or adjournment thereof at which the Shareholder is present or in respect to which the Shareholder has specially appointed a proxy or representative.

The Board may from time to time require such evidence as it shall deem necessary as to the due execution and continuing validity of any such standing proxy or authorisation and the operation of any such standing proxy or authorisation shall be deemed to be suspended until such time as the Board determines that it has received the requested evidence or other evidence satisfactory to it.

- 89.** Subject to Bye-law 88, the instrument appointing a proxy together with such other evidence as to its due execution as the Board may from time to time require, shall be delivered at the Registered Office which if permitted by the Principal Act may be in the form of an electronic record (or at such place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case or the case of a written resolution, in any document sent therewith) prior to the holding of the relevant meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, before the time appointed for the taking of the poll, or, in the case of a written resolution, prior to the effective date of the written resolution and in default the instrument of proxy shall not be treated as valid.
- 90.** Instruments of proxy shall be in any common form or in such other form as the Board may approve and the Board may, if it thinks fit, send out with the notice of any meeting or any written resolution forms of instruments of proxy for use at that meeting or in connection with that written resolution. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a written resolution or amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall unless the contrary is stated therein be valid as well for any adjournment of the meeting as for the meeting to which it relates.
- 91.** A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Registered Office which if permitted by the Principal Act may be in the form of an electronic record (or such other place as may be specified for the delivery of instruments of proxy in the notice convening the meeting or other documents sent therewith) one hour at least before the commencement of the meeting or adjourned meeting, or the taking of the poll, or the day before the effective date of any written resolution at which the instrument of proxy is used.
- 92.** Subject to the Companies Acts, the Board may at its discretion waive any of the provisions of these Bye-laws related to proxies or authorisations and, in particular, may accept such verbal or other assurances as it thinks fit as to the right of any person to attend and vote on behalf of any Shareholder at general meetings or to sign written resolutions.

93. Notwithstanding any other provision of these Bye-laws, any member may appoint an irrevocable proxy by depositing at the Registered Office an irrevocable proxy and such irrevocable proxy shall be valid for all general meetings and adjournments thereof, or resolutions in writing, as the case may be, until terminated in accordance with its own terms, or until written notice of termination is received at the Registered Office signed by the proxy. The instrument creating the irrevocable proxy shall recite that it is constituted as such and shall confirm that it is granted with an interest. The operation of an irrevocable proxy shall not be suspended at any general meeting or adjournment thereof at which the member who has appointed such proxy is present and the member may not specially appoint another proxy or vote himself in respect of any shares which are the subject of the irrevocable proxy.

#### **APPOINTMENT AND REMOVAL OF DIRECTORS**

94. The number of Directors shall be such number not less than two as the Company by Resolution may from time to time determine and, subject to the Companies Acts and these Bye-laws, shall serve until re-elected or their successors are appointed at the next Annual General Meeting. The Board shall at all times comprise a majority of Directors who are not resident in the United Kingdom.
95. The Company shall at the Annual General Meeting and may by Resolution determine the minimum and the maximum number of Directors and may by Resolution determine that one or more vacancies in the Board shall be deemed casual vacancies for the purposes of these Bye-laws. Without prejudice to the power of the Company by Resolution in pursuance of any of the provisions of these Bye-laws to appoint any person to be a Director, the Board, so long as a quorum of Directors remains in office, shall have power at any time and from time to time to appoint any individual to be a Director so as to fill a casual vacancy.
96. The Company may in a Special General Meeting called for that purpose remove a Director provided notice of any such meeting shall be served upon the Director concerned not less than 14 days before the meeting and he shall be entitled to be heard at that meeting. Any vacancy created by the removal of a Director at a Special General Meeting may be filled at the Meeting by the election of another Director in his place or, in the absence of any such election, by the Board.

#### **RESIGNATION AND DISQUALIFICATION OF DIRECTORS**

97. The office of a Director shall be vacated upon the happening of any of the following events:
- (a) if he resigns his office by notice in writing delivered to the Registered Office or tendered at a meeting of the Board;
  - (b) if he becomes of unsound mind or a patient for any purpose of any statute or applicable law relating to mental health and the Board resolves that his office is vacated;

- (c) if he becomes bankrupt or compounds with his creditors;
- (d) if he is prohibited by law from being a Director;
- (e) if he ceases to be a Director by virtue of the Companies Acts or is removed from office pursuant to these Bye-laws.

#### **ALTERNATE DIRECTORS**

- 98.** The Company may by Resolution elect any person or persons to act as Directors in the alternative to any of the Directors or may authorise the Board to appoint such Alternate Directors and a Director may appoint and remove his own Alternate Director. Any appointment or removal of an Alternate Director by a Director shall be effected by depositing a notice of appointment or removal with the Secretary at the Registered Office which if permitted by the Principal Act may be in the form of an electronic record, signed by such Director, and such appointment or removal shall become effective on the date of receipt by the Secretary. Any Alternate Director may be removed by Resolution of the Company and, if appointed by the Board, may be removed by the Board. Subject as aforesaid, the office of Alternate Director shall continue until the next annual election of Directors or, if earlier, the date on which the relevant Director ceases to be a Director. An Alternate Director may also be a Director in his own right and may act as alternate to more than one Director. No resident of the United Kingdom and no person who is physically located in the United Kingdom during a meeting of the Board may be elected or appointed as an Alternate Director.
- 99.** An Alternate Director shall be entitled to receive notices of all meetings of Directors, to attend, be counted in the quorum and vote at any such meeting at which any Director to whom he is alternate is not personally present, and generally to perform all the functions of any Director to whom he is alternate in his absence.
- 100.** Every person acting as an Alternate Director shall (except as regards powers to appoint an alternate and remuneration) be subject in all respects to the provisions of these Bye-laws relating to Directors and shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of or for any Director for whom he is alternate. An Alternate Director may be paid expenses and shall be entitled to be indemnified by the Company to the same extent *mutatis mutandis* as if he were a Director. Every person acting as an Alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director). The signature of an Alternate Director to any resolution in writing of the Board or a committee of the Board shall, unless the terms of his appointment provides to the contrary, be as effective as the signature of the Director or Directors to whom he is alternate.

#### **DIRECTORS' FEES AND ADDITIONAL REMUNERATION AND EXPENSES**

- 101.** The amount, if any, of Directors' fees shall from time to time be determined by the Company by Resolution and in the absence of a determination to the contrary in

general meeting, such fees shall be deemed to accrue from day to day. Each Director may be paid his reasonable travelling, hotel and incidental expenses in attending and returning from meetings of the Board or committees constituted pursuant to these Bye-laws or general meetings and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director. Any Director who, by request, goes or resides abroad for any purposes of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Bye-law.

## **DIRECTORS' INTERESTS**

- 102.** A Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and such extra remuneration shall be in addition to any remuneration provided for by or pursuant to any other Bye-law.
- 103.** A Director may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- 104.** Subject to the Companies Acts, a Director may notwithstanding his office be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested; and be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is interested. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.
- 105.** So long as, where it is necessary, he declares the nature of his interest at the first opportunity at a meeting of the Board or by writing to the Directors as required by the Companies Acts, a Director shall not by reason of his office be accountable to the Company for any benefit which he derives from any office or employment to which these Bye-laws allow him to be appointed or from any transaction or arrangement in which these Bye-laws allow him to be interested, and no such transaction or arrangement shall be liable to be avoided on the ground of any interest or benefit.

106. Subject to the Companies Acts and any further disclosure required thereby, a general notice to the Directors by a Director or officer declaring that he is a director or officer or has an interest in a person and is to be regarded as interested in any transaction or arrangement made with that person, shall be a sufficient declaration of interest in relation to any transaction or arrangement so made.

## **POWERS AND DUTIES OF THE BOARD**

107. Subject to the provisions of the Companies Acts and these Bye-laws and to any directions given by the Company by Resolution, the Board shall manage the business of the Company and may pay all expenses incurred in promoting and incorporating the Company and may exercise all the powers of the Company. No alteration of these Bye-laws and no such direction shall invalidate any prior act of the Board which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this Bye-law shall not be limited by any special power given to the Board by these Bye-laws and a meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board.
108. The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any other persons.
109. All cheques, promissory notes, drafts, bills of exchange and other instruments, whether negotiable or transferable or not, and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine.
110. The Board on behalf of the Company may provide benefits, whether by the payment of gratuities or pensions or otherwise, for any person including any Director or former Director who has held any executive office or employment with the Company or with any body corporate which is or has been a subsidiary or affiliate of the Company or a predecessor in the business of the Company or of any such subsidiary or affiliate, and to any member of his family or any person who is or was dependent on him, and may contribute to any fund and pay premiums for the purchase or provision of any such gratuity, pension or other benefit, or for the insurance of any such person.
111. The Board, on behalf of the Company, may provide benefits, whether pursuant to a Share Option Scheme or by the payment of gratuities or pensions or otherwise, for any Director or Officer (whether or not an employee) and any person who has held any executive office or employment with the Company or with any body corporate which has been a subsidiary or affiliate of the Company or a

predecessor in the business of the Company or of any such subsidiary or affiliate, and to any member of his family or any person who is or was dependent on him, and may contribute to any fund and pay premiums for the purchase or provision of any such gratuity, pension or other benefit, or for the insurance of any such person in connection with the provision of pensions. Subject to the provisions of the Principal Act from time to time in force relating to financial assistance and dealings with Directors, the Board may also establish and maintain a Share Option Scheme and (if such Share Option Scheme so provides) contribute to such Share Option Scheme for the purchase by the Company or transfer, allotment or issue from the Company to trustees of shares in the Company, such shares to be held for the benefit of scheme participants (including Directors and Officers) and, subject to the Principal Act, lend money to such trustees or scheme participants to enable the purchase of such shares.

112. The Board may from time to time appoint one or more of its body to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and may revoke or terminate any such appointments. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company or the Company may have against such Director for any breach of any contract of service between him and the Company which may be involved in such revocation or termination. Any person so appointed shall receive such remuneration (if any) (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine, and either in addition to or in lieu of his remuneration as a Director.

#### **DELEGATION OF THE BOARD'S POWERS**

113. The Board may by power of attorney appoint any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Bye-laws) and for such period and subject to such conditions as it may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney and of such attorney as the Board may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him.
114. The Board may entrust to and confer upon any Director or officer any of the powers exercisable by it upon such terms and conditions with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, and may from time to time revoke or vary all or any of such powers but no person dealing in good faith and without notice of such revocation or variation shall be affected thereby.
115. The Board may delegate any of its powers, authorities and discretions to any person or to committees, consisting of such person or persons (whether a member or

members of its body or not) as it thinks fit, provided that, where possible, such committee shall not comprise of a majority of persons who are resident in the United Kingdom. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed upon it by the Board. Further, the Board may authorize any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any deed, agreement, document or instrument on behalf of the Company.

## **PROCEEDINGS OF THE BOARD**

- 116.** The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit provided that Board Meetings are to be held outside Norway and the United Kingdom. Questions arising at any meeting shall be determined by a majority of votes cast. No Director (including the Chairman, if any, of the Board) shall be entitled to a second or casting vote. In the case of an equality of votes the motion shall be deemed to have been lost. A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Board.
- 117.** Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is sent to him by post, cable, telex, telecopier, electronic means, or other mode of representing or reproducing words in a legible and non-transitory form at his last known address or any other address given by him to the Company for this purpose. Written notice of Board meetings shall be given with reasonable notice being not less than 24 hours whenever practicable. A Director may waive notice of any meeting either prospectively or retrospectively.
- 118.** The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be a majority of the Board present in person or by proxy, provided that a quorum shall not be present unless a majority of the Directors present are neither resident in Norway nor physically located nor resident in the United Kingdom. Any Director who ceases to be a Director at a meeting of the Board may continue to be present and to act as a Director and be counted in the quorum until the termination of the meeting if no other Director objects and if otherwise a quorum of Directors would not be present.
- 119.** A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or proposed contract, transaction or arrangement with the Company and has complied with the provisions of the Companies Acts and these Bye-laws with regard to disclosure of his interest shall be entitled to vote in respect of any contract, transaction or arrangement in which he is so interested and if he shall do so his vote shall be counted, and he shall be taken into account in ascertaining whether a quorum is present.
- 120.** So long as a quorum of Directors remains in office, the continuing Directors may act notwithstanding any vacancy in the Board but, if no such quorum remains, the



continuing Directors or a sole continuing Director may act only for the purpose of calling a general meeting.

121. The Chairman (if any) of the Board shall preside as chairman at every meeting of the Board. If there is no such Chairman or if at any meeting the Chairman is not present within five (5) minutes after the time appointed for holding the meeting, or is not willing to act as chairman, the Directors present may choose one of their number to be chairman of the meeting.
122. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these Bye-laws for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board.
123. A resolution in writing signed by all the Directors for the time being entitled to receive notice of a meeting of the Board or by all the members of a committee for the time being shall be as valid and effectual as a resolution passed at a meeting of the Board or, as the case may be, of such committee duly called and constituted provided that no such resolution shall be valid and effective unless the signatures of all such Directors or all such committee members are affixed outside of the United Kingdom. Such resolution may be contained in one document or in several documents in the like form each signed by one or more of the Directors (or their Alternate Directors) or members of the committee concerned.
124. A meeting of the Board or a committee appointed by the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously and participation in such a meeting shall constitute presence in person at such meeting. A meeting of the Board or committee appointed by the Board held in the foregoing manner shall be deemed to take place at the place where the largest group of participating Directors or committee members has assembled or, if no such group exists, at the place where the chairman of the meeting participates provided that in such event, the meeting shall be chaired by a Director or a committee member who is not resident in Norway nor physically located nor resident in the United Kingdom. The Board or relevant committee shall use its best endeavours to ensure that any such meeting is not deemed to have been held in Norway or the United Kingdom, and the fact that one or more Directors or committee members may be present at such teleconference by virtue of his being physically in Norway or the United Kingdom shall not deem such meeting to have taken place in Norway or the United Kingdom.
125. All acts done by the Board or by any committee or by any person acting as a Director or member of a committee or any person duly authorised by the Board or any committee, shall, notwithstanding that it, is afterwards discovered that there was some defect in the appointment of any member of the Board or such committee or person acting as aforesaid or that they or any of them were disqualified or had

vacated their office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director, member of such committee or person so authorised.

## **OFFICERS**

- 126.** The Board shall appoint one of their number to the office of Chairman, and may appoint any person whether or not he is a Director to hold such office as the Board may from time to time determine. Any person elected or appointed pursuant to this Bye-law shall hold office for such period and upon such terms as the Board may determine and the Board may revoke or terminate any such election or appointment. Any such revocation or termination shall be without prejudice to any claim for damages that such officer may have against the Company or the Company may have against such officer for any breach of any contract of service between him and the Company which may be involved in such revocation or termination. Save as provided in the Companies Acts or these Bye-laws, the powers and duties of the officers of the Company shall be such (if any) as are determined from time to time by the Board.

## **MINUTES**

- 127.** The Directors shall cause minutes to be made and books kept for the purpose of recording:
- (a) all appointments of officers made by the Directors;
  - (b) the names of the Directors and other persons (if any) present at each meeting of Directors and of any committee;
  - (c) of all proceedings at meetings of the Company, of the holders of any class of shares in the Company, and of committees;
  - (d) of all proceedings of managers (if any).

## **SECRETARY AND RESIDENT REPRESENTATIVE**

- 128.** The Secretary and Resident Representative, if necessary, shall be appointed by the Board at such remuneration (if any) and upon such terms as it may think fit and any Secretary so appointed may be removed by the Board.
- 129.** The duties of the Secretary shall be those prescribed by the Companies Acts together with such other duties as shall from time to time be prescribed by the Board.
- 130.** A provision of the Companies Acts or these Bye-laws requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in the place of, the Secretary.

## THE SEAL

131. The Company may, but need not, have a Seal and one or more duplicate Seals for use in any place in or outside Bermuda.
132. If the Company has a Seal it shall consist of a circular metal device with the name of the Company around the outer margin thereof and the country and year of incorporation across the centre thereof
133. The Board shall provide for the custody of every Seal, if any. A Seal shall only be used by authority of the Board or of a committee constituted by the Board. Subject to these Bye-laws, any instrument to which a Seal is affixed shall be signed by at least one Director or the Secretary, or by any person (whether or not a Director or the Secretary), who has been authorised either generally or specifically to attest to the use of a Seal.
134. The Secretary, a Director or the Resident Representative may affix a Seal attested with his signature to certify the authenticity of any copies of documents.

## DIVIDENDS AND OTHER PAYMENTS

135. The Board may from time to time declare cash dividends or distributions out of contributed surplus to be paid to the Shareholders according to their rights and interests including such interim dividends as appear to the Board to be justified by the position of the Company. The Board may also pay any fixed cash dividend which is payable on any shares of the Company half yearly or on such other dates, whenever the position of the Company, in the opinion of the Board, justifies such payment.
136. Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide:
- (a) all dividends or distributions out of contributed surplus may be declared and paid according to the amounts paid up on the shares in respect of which the dividend or distribution is paid, and an amount paid up on a share in advance of calls may be treated for the purpose of this Bye-law as paid-up on the share;
  - (b) dividends or distributions out of contributed surplus may be apportioned and paid pro rata according to the amounts paid-up on the shares during any portion or portions of the period in respect of which the dividend or distribution is paid.
137. The Board may deduct from any dividend, distribution or other moneys payable to a Shareholder by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in respect of shares of the Company.

138. No dividend, distribution or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.
139. Any dividend distribution, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the mail addressed to the holder at his address in the Register or, as the case may be, the Branch Register (if established) or, in the case of joint holders, addressed to the holder whose name stands first in the Register or, as the case may be, the Branch Register in respect of the shares at his registered address as appearing in the Register or, as the case may be, the Branch Register or addressed to such person at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first in the Register or, as the case may be, the Branch Register in respect of such shares, and shall be sent at his or their risk, and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other moneys payable or property distributable in respect of the shares held by such joint holders.
140. Any dividend or distribution out of contributed surplus unclaimed for a period of six years from the date of declaration of such dividend or distribution shall be forfeited and shall revert to the Company and the payment by the Board of any unclaimed dividend, distribution, interest or other sum payable on or in respect of the share into a separate account shall not constitute the Company a trustee in respect thereof
141. The Board may direct payment or satisfaction of any dividend or distribution out of contributed surplus wholly or in part by the distribution of specific assets, and in particular of paid-up shares or debentures of any other company, and where any difficulty arises in regard to such distribution or dividend the Board may settle it as it thinks expedient, and in particular, may authorise any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution or dividend purposes of any such specific assets and may determine that cash payments shall be made to any Shareholders upon the footing of the values so fixed in order to secure equality of distribution and may vest any such specific assets in trustees as may seem expedient to the Board.

## **RESERVES**

142. The Board may, before recommending or declaring any dividend or distribution out of contributed surplus, set aside such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose of the Company and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit. The Board may also without placing the same to reserve carry forward any sums which it may think it prudent not to distribute.

## **CAPITALISATION OF PROFITS**

- 143.** The Company may, upon the recommendation of the Board, at any time and from time to time pass a Resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund which is available for distribution or to the credit of any share premium account or any capital redemption reserve fund and accordingly that such amount be set free for distribution amongst the Shareholders or any class of Shareholders who would be entitled thereto if distributed by way of dividend and in the same proportions, on the footing that the same be not paid in cash but be applied either in or towards paying up amounts for the time being unpaid on any shares in the Company held by such Shareholders respectively or in payment up in full of unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid amongst such Shareholders, or partly in one way and partly in the other, and the Board shall give effect to such Resolution, provided that for the purpose of this Bye-law, a share premium account and a capital redemption reserve fund may be applied only in paying up of unissued shares to be issued to such Shareholders credited as fully paid and provided further that any sum standing to the credit of a share premium account may only be applied in crediting as fully paid shares of the same class as that from which the relevant share premium was derived.
- 144.** Where any difficulty arises in regard to any distribution under Bye-law 143, the Board may settle the same as it thinks expedient and, in particular, may authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments should be made to any Shareholders in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Shareholders.

## **RECORD DATES**

- 145.** Notwithstanding any other provisions of these Bye-laws, the Company may by Resolution or the Board may fix any date as the record date for any dividend, distribution, allotment or issue and for the purpose of identifying the persons entitled to receive notices of general meetings. Any such record date may be on or at any time before or after any date on which such dividend, distribution, allotment or issue is declared, paid or made or such notice is despatched.

## **ACCOUNTING RECORDS**

- 146.** The Board shall cause to be kept accounting records sufficient to give a true and fair view of the state of the Company's affairs and to show and explain its transactions, in accordance with the Companies Acts.

- 147.** The records of account shall be kept at the Registered Office or at such other place or places as the Board thinks fit, and shall at all times be open to inspection by the Directors: PROVIDED that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the Directors to ascertain with reasonable accuracy the financial position of the Company at the end of each three month period. No Shareholder (other than an officer of the Company) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the Board or by Resolution.
- 148.** A copy of every balance sheet and statement of income and expenditure, including every document required by law to be annexed thereto, which is to be laid before the Company in general meeting, together with a copy of the auditors' report, shall be sent to each person entitled thereto in accordance with the requirements of the Companies Acts. Pursuant to Bye-law 114, the Board may delegate to the Finance Officer responsibility for the proper maintenance and safe keeping of all of the accounting records of the Company and (subject to the terms of any resolution from time to time passed by the Board relating to the extent of the duties of the Finance Officer) the Finance Officer shall have primary responsibility for (a) the preparation of proper management accounts of the Company (at such intervals as may be required) and (b) the periodic delivery of such management accounts to the Registered Office in accordance with the Companies Acts.

## **AUDIT**

- 149.** Save and to the extent that an audit is waived in the manner permitted by the Companies Acts, auditors shall be appointed and their duties regulated in accordance with the Companies Acts, any other applicable law and such requirements not inconsistent with the Companies Acts as the Board may from time to time determine.

## **SERVICE OF NOTICES AND OTHER DOCUMENTS**

- 150.** Any notice or other document (including a share certificate) may be served on or delivered to any Shareholder by the Company either personally or by sending it through the post (by airmail where applicable) in a pre-paid letter addressed to such Shareholder at his address as appearing in the Register or by delivering it to or leaving it at such registered address. In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed as sufficient service on or delivery to all the joint holders. Any notice or other document if sent by post shall be deemed to have been served or delivered seven days after it was put in the post, and in proving such service or delivery, it shall be sufficient to prove that the notice or document was properly addressed, stamped and put in the post.
- 151.** Any notice of a general meeting of the Company shall be deemed to be duly given to a Shareholder if it is sent to him by cable, telex, telecopier or other mode of

representing or reproducing words in a legible and non-transitory form at his address as appearing in the Register or any other address given by him to the Company for this purpose. Any such notice shall be deemed to have been served twenty-four hours after its despatch.

- 152.** Any notice or other document shall be deemed to be duly given to a Shareholder if it is delivered to such Shareholder by means of an electronic record in accordance with Section 2A of the Principal Act.
- 153.** Any notice or other document delivered, sent or given to a Shareholder in any manner permitted by these Bye-laws shall, notwithstanding that such Shareholder is then dead or bankrupt or that any other event has occurred, and whether or not the Company has notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such Shareholder as sole or joint holder unless his name shall, at the time of the service or delivery of the notice or document, have been removed from the Register as the holder of the share, and such service or delivery shall for all purposes be deemed as sufficient service or delivery of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

## **WINDING UP**

- 154.** If the Company shall be wound up, the liquidator may, with the sanction of a Resolution of the Company and any other sanction required by the Companies Acts, divide amongst the Shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purposes set such values as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trust for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no Shareholder shall be compelled to accept any shares or other assets upon which there is any liability.

## **INDEMNITY**

- 155.** Subject to the provisions of Bye-law 163, no Director, Alternate Director, Officer, person or member of a committee authorised under Bye-law 115, Resident Representative of the Company or his heirs, executors or administrators shall be liable for the acts, receipts, neglects, or defaults of any other such person or any person involved in the formation of the Company, or for any loss or expense incurred by the Company through the insufficiency or deficiency of title to any property acquired by the Company, or for the insufficiency or deficiency of any security in or upon which any of the monies of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency, or tortious act of any person with whom any monies, securities, or effects shall be deposited, or for any loss occasioned by any error of judgment, omission, default, or oversight on his

part, or for any other loss, damage or misfortune whatever which shall happen in relation to the execution of his duties, or supposed duties, to the Company or otherwise in relation thereto.

- 156.** Subject to the provisions of Bye-law 163, every Director, Alternate Director, Officer, person or member of a committee authorised under Bye-law 115, Resident Representative of the Company and their respective heirs, executors or administrators shall be indemnified and held harmless out of the funds of the Company to the fullest extent permitted by Bermuda law against all liabilities, loss, damage or expense (including but not limited to liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable) incurred or suffered by him as such Director, Alternate Director, Officer, person or committee member or Resident Representative and the indemnity contained in this Bye-law shall extend to any person acting as such Director, Alternate Director, Officer, person or committee member or Resident Representative in the reasonable belief that he has been so appointed or elected notwithstanding any defect in such appointment or election.
- 157.** Every Director, Alternate Director, Officer, person or member of a committee duly authorised under Bye-law 115, Resident Representative of the Company and their respective heirs, executors or administrators shall be indemnified out of the funds of the Company against all liabilities incurred by him as such Director, Alternate Director, Officer, person or committee member or Resident Representative in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted, or in connection with any application under the Companies Acts in which relief from liability is granted to him by the court.
- 158.** To the extent that any Director, Alternate Director, Officer, person or member of a committee duly authorised under Bye-law 115, Resident Representative of the Company or any of their respective heirs, executors or administrators is entitled to claim an indemnity pursuant to these Bye-laws in respect of amounts paid or discharged by him, the relative indemnity shall take effect as an obligation of the Company to reimburse the person making such payment or effecting such discharge.
- 159.** The Board may arrange for the Company to be insured in respect of all or any part of its liability under the provision of these Bye-laws and may also purchase and maintain insurance for the benefit of any Directors, Alternate Directors, Officers, person or member of a committee authorised under Bye-law 115, employees or Resident Representatives of the Company in respect of any liability that may be incurred by them or any of them howsoever arising in connection with their respective duties or supposed duties to the Company. This Bye-law shall not be construed as limiting the powers of the Board to effect such other insurance on behalf of the Company as it may deem appropriate.



- 160.** Notwithstanding anything contained in the Principal Act, the Company may advance moneys to an Officer or Director for the costs, charges and expenses incurred by the Officer or Director in defending any civil or criminal proceedings against them on the condition that the Director or Officer shall repay the advance if any allegation of fraud or dishonesty is proved against them.
- 161.** Each Member agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director, Alternate Director, Officer of the Company, person or member of a committee authorised under Bye-law 115, Resident Representative of the Company or any of their respective heirs, executors or administrators on account of any action taken by any such person, or the failure of any such person to take any action in the performance of his duties, or supposed duties, to the Company or otherwise in relation thereto.
- 162.** The restrictions on liability, indemnities and waivers provided for in Bye-laws 155 to 161 inclusive shall not extend to any matter which would render the same void pursuant to the Companies Acts.
- 163.** The restrictions on liability, indemnities and waivers contained in Bye-laws 155 to 161 inclusive shall be in addition to any rights which any person concerned may otherwise be entitled by contract or as a matter of applicable Bermuda law.

#### **CONTINUATION**

- 164.** Subject to the Companies Acts, the Company may with the approval of the Board by resolution adopted by a majority of Directors then in office, approve the discontinuation of the Company in Bermuda and the continuation of the Company in a jurisdiction outside Bermuda.

#### **ALTERATION OF BYE-LAWS**

- 165.** These Bye-laws may be amended from time to time in the manner provided for in the Companies Acts.

\*\*\*\*\*

**USD 270,000,000**

**REVOLVING CREDIT FACILITY AGREEMENT**

dated 7 March 2017

between

**FLEX LNG Fleet Limited**

as Borrower

and

**Sterna Finance Ltd.**

as Lender

*www.bahr.no*

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## CONTENTS

Clause		Page
1.	DEFINITIONS AND INTERPRETATION	3
2.	THE FACILITY	7
3.	PURPOSE	7
4.	CONDITIONS OF UTILISATION	7
5.	REPAYMENT	8
6.	REDUCTION, PREPAYMENT AND CANCELLATION	8
7.	INTEREST	9
8.	INTEREST PERIODS	10
9.	TAX GROSS UP AND INDEMNITIES	11
10.	REPRESENTATIONS	12
11.	GENERAL UNDERTAKINGS	13
12.	SPECIAL UNDERTAKINGS	14
13.	EVENTS OF DEFAULT	14
14.	SECURITY	16
15.	SET-OFF	16
16.	MISCELLANEOUS	16
17.	GOVERNING LAW AND JURISDICTION	17

SCHEDULE 1 Form of Utilisation Request

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**THIS REVOLVING CREDIT FACILITY AGREEMENT** is entered into as of 7 March 2017 by and between:

- (1) **FLEX LNG Fleet Limited** a company incorporated under the laws of Bermuda (the “**Borrower**”); and
- (2) **Sterna Finance Ltd.**, a company incorporated under the Laws of the Islands of Bermuda with its registered address at Par La Ville Place, 14<sup>th</sup> Par La Ville Road, 4<sup>th</sup> Floor, Hamilton HM 08, Bermuda, and Registration Number 50970 (the “**Lender**”).

**WHEREAS**

- (A) Dionyssos Shipping Inc. and Bacchus Shipping Inc., (the “**Original Buyers**”) have entered into a transaction agreement (the “**Transaction Agreement**”) for the sale of two newbuilds having Builder’s Hull No. 2447 (“**Vessel 1**”) and Builder’s Hull No.2448 (“**Vessel 2**”) respectively through the novation of the shipbuilding contracts for the Vessels dated 28 October 2014 entered into with Daewoo Shipbuilding and Marine Engineering Co. Ltd. (the “**Builder**”) as supplemented by an amendment no.1 also dated 28 October 2014 and an amendment no.2 dated 31 August 2016 (the “**Shipbuilding Contracts**”) from the Original Buyers to two subsidiaries of the Borrower newly incorporated in the Marshall Islands; FLEX LNG Endeavour Limited and FLEX LNG Enterprise Limited (the “**New Buyers**”);
- (B) Parts of the consideration payable for the Vessels will be settled by the issuance of 78 million new shares in Flex LNG Ltd. (the “**Parent**”) to Geveran Trading Co. Ltd. (“**Geveran**”) (the latter being an affiliate of the Original Buyers). The remaining part of the consideration will be settled by a revolving credit facility granted by the Lender to the Borrower in the amount of USD 270,000,000 (the “**Facility**”);
- (C) As a result of the settlement mentioned in Whereas (B) above, certain intra-group receivables and intra group debts will arise on Closing (the “**Intra-Group Receivables**”). The settlement of the Intra-Group Receivables is regulated in certain separate settlement agreements entered into on or about the date hereof; and
- (D) This Agreement regulates the terms and conditions of the Facility.

**IT IS AGREED** as follows:

**1. DEFINITIONS AND INTERPRETATION**

**1.1 Definitions**

In this Agreement:

“**Agreement**” means this revolving credit facility agreement, as it may be amended, supplemented and varied from time to time, including its Schedules.

“**Availability Period**” means the period from and including the date of this Agreement to and including the day falling one month prior to the Final Maturity Date.

“**Available Commitment**” means the Lender’s Commitment less:

- (a) the aggregate amount of outstanding Loans; and
-

(b) in relation to any proposed Loan the amount of the Loan that is due to be made on or before the proposed Utilisation Date.

“**Break Costs**” means the amount determined by the Lender (if any) by which any loss is incurred to the Lender if payment is received on any day other than the last day of the current Interest Period.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks are open for general business in London, Oslo and Cyprus.

“**Builder**” shall have the meaning ascribed to such term in the recitals.

“**Change of Control Event**” means if

- (a) any person, other than Geveran and/or one or more companies controlled directly or indirectly with more than fifty per cent (50%) by trusts established by Mr John Fredriksen for the benefit of his immediate family (“**Trusts**”), or group of persons acting in concert, obtains more than fifty per cent (50%) of the voting rights or share capital or otherwise control the appointment of members of the board of directors of the Parent; or
- (b) Geveran and/or one or more companies controlled directly or indirectly with more than fifty per cent (50%) by one or more Trusts ceases to own a minimum of twenty per cent (20%) of the voting rights or share capital or otherwise control the appointment of members of the board of directors of the Parent.

“**Charterparty**” means any contracts of employment for the Vessels [exceeding 12 months]

“**Closing**” shall have such meaning ascribed to it in the Novation Agreements.

“**Commitment**” means USD 270,000,000, (*United States Dollars Two Hundred Seventy Million*) to the extent not cancelled or reduced under this Agreement.

“**Delivery Dates**” shall mean the date on which the respective Vessel is delivered from the Builder to the New Buyers under the Shipbuilding Contracts.

“**Event of Default**” means any event or circumstance specified as such in Clause 14 (*Events of Default*).

“**External Financing**” means the external debt financing for the Vessels to be negotiated by the New Buyers.

“**Facility**” means the revolving credit facility made available under this Agreement as described in Clause 2 (*The Facility*).

“**First Delivery Date**” shall have such meaning ascribed to it in Clause 7.1

“**Final Maturity Date**” means the date falling three (3) years after First Delivery Date.

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

- (a) moneys borrowed;
-

- (b) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (c) 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;
- (d) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (e) any amount raised Under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (f) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (g) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (h) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above.

“**GAAP**” means generally accepted accounting principles in [Bermuda], including IFRS.

“**Guarantor**” means Flex LNG Ltd, the parent company of the Borrower.

“**IFRS**” means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

“**Interest Period**” means, in relation to the Loans, each period determined in accordance with Clause 8 (*Interest Periods*) and, in relation to an Unpaid Sum, each period determined in accordance with Clause 0 (*Default interest*).

“**Loans**” means the loans made or to be made under the Facility and “**Loan**” shall mean either of the Loans or the principal amount outstanding, for the time being, of all Loans under this Facility.

“**LIBOR**” means, in relation to any Loan, the applicable Screen Rate as of 11:00 (London time) on the Quotation Day for the currency of that Loan and for a period equal in length to the Interest Period of that Loan and if, in either case, that rate is less than zero, LIBOR shall be deemed to be zero.

“**Pre Delivery Margin**” means 1 per cent per annum.

“**Post Delivery Margin**” means 3 per cent per annum.

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

- (a) the business, operation, assets or condition (financial or otherwise) of the Borrower; or
-

(b) the ability of the Borrower to perform any of its obligations under the Agreement.

“**Novation Agreements**” means each of the agreements entered into on or about the date hereof between amongst others the Builder, the respective Original Buyer and the respective New Buyer for the novation of the Shipbuilding Contracts.

“**Obligors**” means the Borrower and the Guarantor together.

“**Party**” means a party to this Agreement.

“**Repeating Representations**” means each of the representations set out in Clause 11 (*Representations*).

“**Screen Rate**” means the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for USD for the relevant period, displayed on page LIBOR01 and LIBOR02 of the Reuters screen (or any replacement Reuters page which displays that rate). If the agreed page is replaced or service ceases to be available, the Lender may specify another page or service displaying the appropriate rate.

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

“**Security Documents**” means all or any security documents as may be entered into from time to time pursuant to Clause 1 (*Security*).

“**Subsidiary**” means an entity from time to time of which a person:

- (a) has direct or indirect control; or
- (b) owns directly or indirectly more than fifty (50) per cent (votes and capital),

for these purposes, an entity shall be treated as being controlled by a person if that person is able to direct its affairs and/or control the composition of its board of directors or equivalent body.

“**Unpaid Sum**” means any sum due and payable but unpaid by the Borrower under the Agreement.

“**Utilisation**” means a utilisation of the Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which a Loan is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 1 (*Form of Utilisation Request*).

“**VAT**” means value added tax and any other tax of a similar nature.

“**Vessels**” means Vessel 1 and Vessel 2 together.

“**Quotation Day**” means the day occurring two (2) Business Days prior to the commencement of an Interest Period.

## **1.2 Construction**

In this Agreement, unless the context otherwise requires:

- (a) words denoting the singular number shall include the plural and vice versa; and
- (b) references to a “person” shall include any individual, firm, partnership, joint venture, company, corporation, trust, fund, body, corporate, unincorporated body of persons, or any state or any agency of a state or association (whether or not having separate legal personality); and
- (c) an Event of Default is “continuing” if it has not been [remedied or] waived.

## **2. THE FACILITY**

### **2.1 The Facility**

Subject to the terms of this Agreement, the Lender will make available to the Borrower a revolving credit facility in an amount equivalent to the Commitment.

### **2.2 First Utilisation**

The Loan shall be available on Closing in accordance with the Transaction Agreement. Upon Closing, the Borrower acknowledges that it is indebted to the Lender in the amount of the Commitment without any preceding drawdown notice being required i.e. so that the Facility shall be deemed fully drawn as from Closing.

### **2.3 Subsequent Utilisations**

For the avoidance of doubt; any subsequent utilisations require that the Borrower has repaid parts of the Loan drawn on Closing as per Clause 2.2 above.

## **3. PURPOSE**

### **3.1 Purpose**

The purpose of the first Loan is part financing of the consideration under the Transaction Agreement.

The Borrower shall apply all amounts borrowed by it under the Facility pursuant to any subsequent utilisations towards [paying pre-delivery instalments on behalf of the New Buyers under the Shipbuilding Contracts [and pre-delivery instalments for other shipbuilding contracts in the Flex group), general corporate purposes and for financing of working capital requirements].

## **4. CONDITIONS OF SUBSEQUENT UTILISATION**

### **4.1 Conditions precedent to subsequent utilisation**

A subsequent Loan will only be available to the Borrower if:

- (a) the Borrower has delivered a duly completed Utilisation Request (as provided for in Clause 4.2 (*Delivery of Utilisation Request*)) with Utilisation on a Business Day within the Availability Period



- (b) the amount requested for Utilisation is within the range of the Available Commitment;
- (c) the Repeating Representations to be made by the Borrower are true in all material respects; and
- (d) no Event of Default is continuing or would result from the proposed Loan.

#### **4.2 Delivery of a Utilisation Request**

The Borrower may utilise the Facility by delivery to the Lender of a duly completed Utilisation Request not later than 12:00 CET three Business Days prior to the Utilisation Date. Each Utilisation Request is irrevocable.

### **5. REPAYMENT**

On the Final Maturity Date the Borrower shall repay all Loans and other amounts then outstanding under this Agreement in full.

### **6. REDUCTION, PREPAYMENT AND CANCELLATION**

#### **6.1 Mandatory reduction - Sale of assets**

Upon the sale of the shares in the New Buyers (which own the Shipbuilding Contracts/Vessels) or if the Borrower or its subsidiaries otherwise sell or dispose of major parts of its assets, the Commitment shall be reduced to zero and the Borrower shall upon such sale repay all amounts outstanding under this Agreement in full the Commitment shall be reduced to zero.

#### **6.2 Mandatory cancellation, and reduction- illegality**

If it becomes unlawful in any applicable jurisdiction for the Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain the Loans:

- (a) the Lender shall promptly notify the Borrower (specifying the obligations the performance of which is thereby rendered unlawful and the law giving rise to the same) upon receipt of notification;
- (b) upon the Lender notifying the Borrower, the Commitment will be immediately reduced to zero and cancelled; and
- (c) the Borrower shall repay all amounts outstanding under this Agreement in full on the last day of the Interest Period occurring after the Lender has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Borrower (being no earlier than the last day of any applicable grace period permitted by law).

#### **6.3 Mandatory cancellation, and reduction - Change of Control**

If a Change of Control Event occurs, the Lender may, by notice to the Borrower, cancel the Commitment, upon which;

- (a) the Commitment will be immediately reduced to zero and cancelled; and
- (b) the Borrower shall immediately repay all amounts outstanding under this Agreement in full.

## 6.4 Voluntary prepayment

The Borrower may, by giving the Lender not less than five (5) Business Days prior written notice, prepay the whole or any part of the outstanding Loans (but if in part, in a minimum amount per Loan (if more than one is prepaid) of USD [1,000,000] (or such lesser amount as consented to by the Lender) and in integral multiples of USD [1,000,000]).

## 6.5 Voluntary cancellation

- (a) The Borrower may, by giving the Lender not less than five (5) Business Days prior written notice, cancel all or part of the Commitment (but if in part, in a minimum amount of USD [1,000,000] and in integral multiples of USD [1,000,000]).
- (b) Any notice of cancellation shall be irrevocable and shall specify the date on which the cancellation shall take effect and the amount of the cancellation.
- (c) The Borrower may not utilise any part of the Facility which has been cancelled.
- (d) The Borrower may not cancel all or part of the Facility except as expressly provided in this Agreement.

## 6.6 Terms and conditions for prepayments and cancellation

### 6.6.1 Time of prepayment and cancellation

The Borrower shall not repay or prepay all or any part of a Loan or cancel all or any part of the Commitment except at the times and in the manner expressly provided for in this Agreement.

### 6.6.2 Irrevocable notice

Any notice of prepayment or cancellation by the Borrower under this Clause 6 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date upon which the prepayment or cancellation is to be made.

### 6.6.3 Additional payments

Upon any cancellation of the Commitment under this Clause 6, the Borrower shall prepay the outstanding Loans by an amount sufficient to ensure that the total aggregate amount of the outstanding Loans shall constitute no more than the amount of the Lender's Available Commitment following the relevant cancellation, such prepayment to be made no later than on the day that the relevant cancellation becomes effective.

Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.

### 6.6.4 No reinstatement

No amount of the Commitment cancelled under this Agreement may subsequently be reinstated.

## 7. INTEREST

### 7.1 Interest up to First Delivery Date

The rate of interest on each Loan as from Closing to the date of the delivery of first of the Vessels from the Builder to the relevant New Buyer (“**First Delivery Date**”) is the Pre Delivery Margin.

## 7.2 Interest after First Delivery Date

The rate of interest on each Loan for each Interest Period after First Delivery Date is the percentage rate per annum which is the aggregate of the:

- (a) Post Delivery Margin; and
- (b) LIBOR.

## 7.3 Payment of interest

The Borrower shall pay accrued interest on each Loan made to it on the last day of each Interest Period.

## 7.4 Default interest

If the Borrower fails to pay any amount payable by it under this Agreement on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is the aggregate of LIBOR, the Post Delivery Margin and [3] per cent per annum. Default interest (if unpaid) arising on an overdue amount will be compounded with the overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

## 7.5 Break Costs

- (a) The Borrower shall, within three Business Days of demand by the Lender, pay to the Lender its Break Costs attributable to all or any part of the Loan or Unpaid Sum being paid by that Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) The Lender shall, as soon as reasonably practicable after a demand by the Lender, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

## 8. INTEREST PERIODS

### 8.1 Interest Periods

- (a) The Interest Period for the Loan drawn on Closing (ref. Clause 2.2 (*First Utilisation*)) is [3] months and the start of this Interest Period (i.e. the "Utilisation Date") is the date of Closing.
- (b) For any subsequent utilisation, the Borrower must select the Interest Period for a Loan in the relevant Utilisation Request. A Loan has one Interest Period only. The Borrower may elect Interest Periods for the Loans of 1, 3 or 6 months.
- (c) An Interest Period for the Loans shall not extend beyond the Final Maturity Date.

### 8.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

## **9. TAX GROSS UP AND INDEMNITIES**

### **9.1 Tax Gross-up**

All payments to be made by any Obligor hereunder shall be made free and clear of and without deduction for or on account of any present or future taxes of any nature now or hereafter imposed unless the Obligor is compelled by law to make payment subject to any such taxes. In that event the Obligor shall (i) pay to the Lender such additional amounts as may be necessary for the Lender to receive a net amount equal to that which they would have received had such payment not been made subject to any taxes, and (ii) deliver to the Lender within ten (10) Banking Days of any request by it an official receipt in respect of the payment of any taxes so deducted.

### **9.2 Value added tax**

All amounts set out, or expressed to be payable according to this Agreement by a party hereto shall be deemed to be exclusive of any VAT. If VAT is chargeable, the Obligor shall pay to the Lender for the account of such party an additional amount equal to such VAT.

## **10. GUARANTEE AND INDEMNITY**

### **10.1 Guarantee and indemnity**

The Guarantor irrevocably, unconditionally:

- (a) guarantees to the Lender, as and for its own debt and not merely as surety, the due and punctual observance and performance by the Borrower' obligations under this Agreement;
- (b) undertakes with the Lender that whenever the Borrower does not pay any amount when due under or in connection with this Agreement, that Guarantor shall immediately on demand by the Lender pay that amount as if it was the principal obligor; and
- (c) indemnify the Lender immediately on demand against any cost, loss or liability suffered by the Lender if any obligation guaranteed by the Guarantor is or becomes unenforceable, invalid or illegal. The amount of the cost, loss or liability shall be equal to the amount, which the Lender would otherwise have been entitled to recover.

### **10.2 Continuing guarantee**

The obligations of the Guarantor, hereunder (the "Guarantee Obligations") are continuing guarantee obligations and will extend to the ultimate balance of all amounts payable by the Borrower under this Agreement, regardless of any intermediate payment or discharge in whole or in part.

### **10.3 Number of claims**

There is no limit on the number of claims that may be made by the Lender under this Agreement.

### **10.4 Survival of Guarantor's liability**

None of the Guarantor's liabilities to the Lender under this Clause 10 shall be discharged, impaired or otherwise affected by reason of any of the following events or circumstances (without limitation and regardless of whether any such events or circumstances occur with

or without the Guarantor's knowledge or consent and whether or not known to the Lender):

- (a) any time, waiver, consent, forbearance or other indulgence given or agreed by the Lender with the Borrower in respect of the Borrower's obligations under this Agreement; or
- (b) any legal limitation, disability or incapacity of the Borrower related to this Agreement; or
- (c) any amendments to or variations of this Agreement agreed by the Lender with the Borrower; or
- (d) the liquidation, bankruptcy or dissolution (or proceedings analogous thereto) of the Borrower; or
- (e) any other circumstance which might otherwise constitute a defence available to, or discharge of, the Borrower.

## **11. REPRESENTATIONS AND WARRANTIES**

Each of the Obligors makes the representations and warranties set out in this Clause 11 to the Lender on the date of this Agreement.

### **11.1 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, this Agreement and the transactions contemplated by this Agreement.

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

The entry into and performance by it of, and the transactions contemplated by this Agreement do not and will not conflict with (i) any law or regulation applicable to it, (ii) its or any of its Subsidiaries' constitutional documents, or (iii) any agreement or instrument binding upon it or any of its Subsidiaries or any of its or any of its Subsidiaries' assets.

### **11.3 No misleading information**

- (a) Any factual information provided by the Borrower 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.
- (b) The financial projections delivered to the Lender have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.

### **11.4 No proceedings pending or threatened**

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected 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.

## **11.5 Good title to assets**

It and each of its Subsidiaries has a good, valid and marketable title to, or valid leases or licences of, and all appropriate authorisations to use, the assets necessary to carry on its business as presently conducted.

## **11.6 Insolvency**

No event has occurred or, to the Obligors' knowledge, steps threatened, as set out in Clause 14.5 (*Insolvency and insolvency proceedings*).

## **11.7 Repetition**

The Repeating Representations are deemed to be repeated by the Borrower by reference to the facts and circumstances then existing on the date of each Utilisation Request and the first day of each Interest Period.

## **12. GENERAL UNDERTAKINGS**

Each of the Obligors gives the undertakings set out in this Clause 12 (*General Undertakings*) to the Lender.

### **12.1 Compliance with laws**

The Obligors shall comply in all material respects with all laws to which it may be subject.

### **12.2 Disposals**

The Obligors shall not sell, transfer or otherwise dispose of the whole or any material part of its assets without the Lender's consent.

### **12.3 Change of business**

The Obligors shall ensure that no substantial change is made to the general nature of the business of the .Obligors from that carried out at the date of this Agreement.

### **12.4 No mergers etc.**

The Obligors shall not enter into any merger, amalgamation, de-merger, split-up, divest, consolidation with or into any other person or be the subject of any reconstruction without the prior consent of the Lender.

### **12.5 Transactions with Affiliates**

The Obligors shall (and shall procure that each Subsidiary will) procure that all transactions entered into with an affiliate are made for full market value and otherwise on arm's length terms.

### **12.6 Negative pledge**

The Obligors shall not create or permit to subsist any Security over its present or future assets, including but not limited to undertakings, property, assets, rights or revenues, other than:

- (a) Security under the Security Documents; and
- (b) Security consented to in writing by the Lender.

## **12.7 Borrowings**

Each Obligor shall not enter into any new Financial Indebtedness and/or guarantee commitments, without the prior written consent of the Lender.

## **13. SPECIAL UNDERTAKINGS**

### **13.1 Obligation to solicit External Financing**

The intention of the Parties hereto is that the Vessels shall be refinanced by External Financing upon delivery of the Vessels from the Builder, or as soon as commercially viable thereafter. Therefore, the Obligors undertakes as from the date hereof to use its best endeavours, and to procure that the Flex group use its best endeavours to obtain acceptable External Financing for the refinancing of any Loans hereunder [from delivery of the Vessels from the Builder).

## **14. EVENTS OF DEFAULT**

Each of the events or circumstances set out in Clause 14 is an Event of Default.

### **14.1 Non-payment**

An Obligor does not pay on the due date any amount payable pursuant to this Agreement and in the currency in which it is expressed to be payable unless its failure to pay is caused by administrative or technical error and payment is made within 5 Business Days of its due date.

### **14.2 Other obligations**

- (a) An Obligor does not comply with any provision of the Agreement (other than those referred to in Clause 14.1 (*Non-payment*)); and
- (b) no Event of Default under (a) above will occur if the failure to comply is (in the reasonable opinion of the Lender) capable of remedy and is remedied within fifteen (15) Business Days of the earlier of the Lender giving notice to the Obligors or the Obligors becoming aware of the failure to comply.

### **14.3 Misrepresentation**

Any representation or statement of fact made or deemed to be made by the Obligors in the Agreement or any other document delivered by or on behalf of the Obligors under or in connection with this Agreement is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

### **14.4 Cross default**

- (a) Any Financial Indebtedness of any of the Obligors or its Subsidiaries is not paid when due nor within any originally applicable grace period;
- (b) any Financial Indebtedness of any of the Obligors or its Subsidiaries 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);
- (c) any commitment for any Financial Indebtedness of the Obligors and its Subsidiaries is cancelled or suspended by a creditor of the Obligors as a result of an event of default (however described); or

- (d) any creditor of the Obligors or its Subsidiaries 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);

in circumstances where the aggregate amount of all such Financial Indebtedness referred to in all or any of sub-clauses (a) to (d) is USD [1,000,000] (or its equivalent in other currencies) or more.

#### **14.5 Insolvency and Insolvency proceedings**

- (a) Any corporate action, legal proceedings or other procedure or step is taken in relation to 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) of any of the Obligors;
- (b) Any of the Obligors is unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (c) the value of the assets of the Obligors is less than its liabilities (taking into account contingent and prospective liabilities);
- (d) a composition, compromise, assignment or arrangement with any creditor of the Obligors;
- (e) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of the Obligor or any of its assets;
- (f) enforcement of any Security over any assets of the Obligors; or
- (g) any analogous procedure or step is taken in any jurisdiction.

#### **14.6 Creditors' process**

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of the Obligors.

#### **14.7 Unlawfulness**

It is or becomes unlawful for the Obligors to perform any of its obligations under the Agreement.

#### **14.8 Invalidity of Security**

If the Security shall no longer be valid and enforceable.

#### **14.9 Acceleration**

On and at any time after the occurrence of an Event of Default which is continuing the Lender may, by notice to the Borrower:

- (a) cancel the Commitment whereupon it shall immediately be cancelled;



- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Agreement be immediately due and payable, whereupon they shall become immediately due and payable; and/or
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Lender.

## 1. SECURITY

The Borrower's obligations and liabilities under this Agreement, including (without limitation) the Borrower's obligation to repay any Loans together with all unpaid interest, default interest, commissions, charges, expenses and any other derived liability whatsoever of the Borrower towards the Lender in connection with this Agreement, shall at any time until all amounts due to the Lender hereunder have been paid and/or repaid in full, be secured by (in addition to the guarantee from the Guarantor ref. Clause 10 (*Guarantee and Indemnity*)):

- (d) the Share Pledge Agreements;
- (e) Assignment of Refund Guarantees;
- (f) Assignment of Charterparties (if relevant); and
- (g) Marshall Islands law Mortgages (upon delivery)

Each of the Borrower and the Guarantor undertakes to ensure that the above Security Documents are being duly executed by the parties thereto in favour of the Lender on or about the date of this Agreement (or at such later date as approved in writing by the Lender), legally valid and in full force and effect, and to execute or procure the execution of such further documentation as the Lender may require in order for the relevant Lender to maintain the security position envisaged hereunder.

## 15. SET-OFF

The Lender may set off any matured obligation due from an Obligor under the Agreement against any matured obligation owed by the Lender to the Obligor. If the obligations are in different currencies, the Lender may convert either obligation at a market rate of exchange for the purpose of the set-off.

## 16. MISCELLANEOUS

### 16.1 No set-off by any Obligor

All payments to be made by any Obligor under the Agreement shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

### 16.2 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

**17. GOVERNING LAW AND JURISDICTION**

- (a) This Agreement shall be governed by and construed in accordance with Norwegian law.
- (b) Subject to paragraph (c) below, the courts of Norway shall have exclusive jurisdiction over matters arising out of or in connection with this Agreement with Oslo district court (Norwegian: *tingrett*) as agreed legal venue.
- (c) The submission to the jurisdiction of Norway shall not limit the right of the Lender to take proceedings against the Borrower in any court which may otherwise exercise jurisdiction over the Borrower or any of its assets.

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**SIGNATURE PAGE:**

**As Borrower:**

/s/ James Clarke

Name: JAMES CLARKE  
Title: PRESIDENT/TREASURER  
Company: FLEX LNG FLEET Ltd.

**As Lender:**

/s/ Georgina E. Sousa

Name: Georgina E. Sousa  
Title: Director  
Company: Sterna Finance Ltd.

**As Guarantor:**

/s/ Marius Hermansen

Name: MARIUS HERMANSEN  
Title: DIRECTOR  
Company: FLEX LNG Ltd

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## SCHEDULE 1

### FORM OF UTILISATION REQUEST

From: [●]  
To: [●]  
Dated:

**[●]- [●] Facility Agreement dated [●] (the “Agreement”)**

1. We refer to the Agreement. This is an Utilisation Request. Terms defined in the Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.
2. We wish to borrow a Loan on the following terms:  
  
Proposed Utilisation [●]  
Date:  
  
Currency of Loan: USD  
  
Amount: [●]
3. We confirm that the Repeating Representations are true and correct in all material respects and the no Event of Default has occurred and is continuing or would occur as a result of the proposed Loan.
4. The proceeds of this Loan should be credited to *[account]*.
5. This Utilisation Request is irrevocable.

Yours faithfully,

By:  
Name:  
Title:  
Company:

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**USD 315,000,000 SENIOR SECURED TERM LOAN FACILITY AGREEMENT**

dated 20 December, 2017

for

**FLEX LNG ENDEAVOUR LIMITED, FLEX LNG ENTERPRISE LIMITED and  
FLEX LNG RANGER LIMITED**  
as Initial Borrowers

**FLEX LNG FLEET LIMITED and FLEX LNG LTD.**  
as Guarantors

arranged by

**ABN AMRO BANK N.V.**  
as Bookrunner, co-ordinator and Mandated Lead Arranger

**DNB BANK ASA and SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)**  
as Mandated Lead Arrangers

**CREDIT SUISSE AG, NIBC BANK N.V. and SPAREBANK 1 SR-BANK ASA**  
as Lead Arrangers

**ABN AMRO BANK N.V., DNB BANK ASA, SKANDINAVISKA ENSKILDA BANKEN AB (PUBL), CREDIT SUISSE AG,  
NIBC BANK N.V. and SPAREBANK 1 SR-BANK ASA**  
as Swap Providers

**THE FINANCIAL INSTITUTIONS LISTED IN SCHEDULE 1**  
as Original Lenders

with

**ABN AMRO BANK N.V.**  
acting as Facility Agent and Security Agent



## TABLE OF CONTENTS

1	DEFINITIONS AND INTERPRETATION	4
2	THE FACILITY	21
3	PURPOSE	23
4	CONDITIONS PRECEDENT	24
5	DRAWDOWN	25
6	SUBSTITUTION	26
7	REPAYMENT AND REDUCTION	28
8	ILLEGALITY, VOLUNTARY PREPAYMENT AND CANCELLATION	28
9	MANDATORY PREPAYMENT	29
10	RESTRICTIONS	31
11	INTEREST	32
12	INTEREST PERIODS	32
13	CHANGES TO THE CALCULATION OF INTEREST	33
14	FEES	34
15	TAX GROSS UP AND INDEMNITIES	35
16	INCREASED COSTS	37
17	OTHER INDEMNITIES	39
18	MITIGATION BY THE LENDERS	41
19	COSTS AND EXPENSES	41
20	ON-DEMAND GUARANTEE AND INDEMNITY	42
21	SECURITY	45
22	REPRESENTATIONS	46
23	INFORMATION UNDERTAKINGS	51
24	FINANCIAL COVENANTS	54
25	GENERAL UNDERTAKINGS	56
26	VESSEL UNDERTAKINGS	62
27	EVENTS OF DEFAULT	67
28	CHANGES TO THE LENDERS	70



29	CHANGES TO THE OBLIGORS	74
30	ROLE OF THE FACILITY AGENT, SECURITY AGENT, THE ARRANGERS AND OTHERS	74
31	SHARING AMONG THE FINANCE PARTIES	86
32	PAYMENT MECHANICS	87
33	NOTICES	89
34	CALCULATIONS AND CERTIFICATES	91
35	PARTIAL INVALIDITY	92
36	REMEDIES AND WAIVERS	92
37	AMENDMENTS AND WAIVERS	92
38	COUNTERPARTS	93
39	CONTRACTUAL RECOGNITION OF BAIL-IN	93
40	GOVERNING LAW	94
41	ENFORCEMENT	94
42	PROCESS AGENT	94
	SCHEDULE 1 THE ORIGINAL LENDERS	99
	SCHEDULE 2 CONDITIONS PRECEDENT	100
	SCHEDULE 3 FORM OF REQUESTS AND NOTICES	109
	SCHEDULE 4 FORM OF TRANSFER CERTIFICATE	111
	SCHEDULE 5 FORM OF COMPLIANCE CERTIFICATE	113
	SCHEDULE 6 FORM OF SUBSTITUTION LETTER	118
	SCHEDULE 7 REPAYMENT SCHEDULE	120
	SCHEDULE 8 FORM OF SUBSTITUTION CONFIRMATION LETTER	121
	SCHEDULE 9 LIST OF COLLATERAL VESSELS	122
	SCHEDULE 10 LIST OF OPERATING ACCOUNTS	123



**THIS AGREEMENT** (the "**Agreement**") is dated 20 December, 2017 and made between:

- (1) **FLEX LNG ENDEAVOUR LIMITED**, a corporation incorporated in the Republic of the Marshall Islands whose registered address is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 as initial borrower;
- (2) **FLEX LNG ENTERPRISE LIMITED**, a corporation incorporated in the Republic of The Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 as initial borrower;
- (3) **FLEX LNG RANGER LIMITED**, a corporation incorporated in the Republic of The Marshall Islands whose registered office is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 as initial borrower;
- (4) **FLEX LNG FLEET LIMITED**, a company incorporated and existing under the laws of Bermuda whose registered office is at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, Bermuda (the "**Intermediate Parent**");
- (5) **FLEX LNG LTD.**, a company incorporated and existing under the laws of Bermuda whose registered office is at Par-la-Ville Place, 14 Par-la-Ville Road, Hamilton, Bermuda (the "**Ultimate Parent**" and together with the Intermediate Parent, the "**Guarantors**" and each a "**Guarantor**");
- (6) **THE FINANCIAL INSTITUTIONS** listed in Schedule 1 (*The Original Lenders*) as lenders (the "**Original Lenders**");
- (7) **ABN AMRO BANK N.V.** as bookrunner, co-ordinator and mandated lead arranger;
- (8) **DNB BANK ASA and SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)** as mandated lead arrangers;
- (9) **CREDIT SUISSE AG, NIBC BANK N.V. and SPAREBANK 1 SR-BANK ASA** as lead arrangers (and together with the entities referred to in (7) and (8) above, each an "**Arranger**" and jointly the "**Arrangers**");
- (10) **ABN AMRO BANK N.V., DNB BANK ASA, SKANDINAVISKA ENSKILDA BANKEN AB (PUBL), CREDIT SUISSE AG, NIBC BANK N.V. and SPAREBANK 1 SR-BANK ASA** as swap providers (each a "**Swap Provider**" and jointly the "**Swap Providers**"); and
- (11) **ABN AMRO BANK N.V.** as facility agent of the other Finance Parties (the "**Facility Agent**") and as security agent of the other Finance Parties (the "**Security Agent**").

**IT IS AGREED** as follows:

## **SECTION 1**

### **INTERPRETATION**

#### **1 DEFINITIONS AND INTERPRETATION**

##### **1.1 Definitions**

In this Agreement:

**"Acceptable Charter Agreement"** means a charter contract with a duration of minimum five (5) years, on terms and with a reputable third party charterer acceptable to all Lenders.

**"Account Bank"** means DNB Bank ASA.

**"Account Pledge"** means a first priority account pledge in favour of the Security Agent (on behalf of the Finance Parties) over the Operating Accounts of the Borrowers, to be governed by Norwegian law and in form and substance acceptable to the Security Agent.

**"Affiliate"** means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company. For the purpose of ABN AMRO Bank N.V., "Affiliate" shall exclude the State of the Netherlands and any of its Subsidiaries other than ABN AMRO Bank N.V., but shall include any entity that acquires the business of ABN AMRO Bank N.V. to which the Dutch State is entitled.

**"Approved Shipbrokers"** means any of Fearnleys, Clarkssons Platou, Nordic Shipping, Affinity, Lorentzen Stemoco, Simpson Spence Young or such other independent and internationally reputable broker acceptable to the Facility Agent.

**"Approved Ship Registry"** means the ship registry of Marshall Islands, Liberia or such other ship registry as approved in writing by all Lenders.

**"Approved Classification Society"** means DNV GL, Lloyds Register, American Bureau of Shipping (ABS), Bureau Veritas or such other IACS classification society acceptable to all Lenders.

**"Assignment of Earnings and Charterparties"** means a first priority assignment in favour of the Security Agent (on behalf of the Finance Parties) of any of the Borrowers' rights, titles and interests to any Earnings under any charterparty for any Collateral Vessel with a term exceeding twelve (12) months, to be in form and substance acceptable to the Security Agent.

**"Assignment of Hedging Claims"** means a first priority assignment in favour of the Security Agent (on behalf of the Finance Parties) of each Borrower's rights, titles and interests under any Hedging Agreements related to this Facility, to be in form and substance acceptable to the Security Agent.

**"Assignment of Insurances"** means a first priority assignment in favour of the Security Agent (on behalf of the Finance Parties) of the Insurances relating to each Collateral Vessel, to be in form and substance acceptable to the Security Agent.

**"Assignment of Intercompany Loans"** means a first priority assignment of the claims of any Guarantor or, if applicable, any Borrower or any other Affiliate, under any loan from any Guarantor or, if applicable, from any other Borrower, in favour of the Security Agent (on behalf of the Finance Parties) to be in form and substance acceptable to the Security Agent and to include a statement of subordination, whereby any Guarantor or, if applicable, any other Borrower or Affiliate, subordinates its claims against the relevant Borrower to the claims of the Finance Parties under the Finance Documents.

**"Authorisation"** means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

**"Availability Period"** means the period from and including the date of this Agreement until 31 December 2018.

**"Available Commitment"** means a Lender's Commitment minus:

- (a) the amount of its participation in any outstanding Drawdowns; and
- (b) in relation to any proposed Drawdown, the amount of its participation in any other Drawdowns that are due to be made on or before the proposed Drawdown Date.

**"Available Facility"** means the aggregate for the time being of each Lender's Available Commitment.

**"Bail-In Action"** means the exercise of any Write-down and Conversion Powers.

**"Bail-In Legislation"** means:

- (a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and
- (b) in relation to any other state, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation.

**"Borrowers"** means any or all of the Initial Borrowers and/or any Acceding Borrower having replaced an Initial Borrower as part of a Substitution.

**"Break Costs"** means the amount (if any) by which:

- (a) the interest (less Margin) which a Lender should have received for the period from the date of receipt of all or any part of its participation in the Loan or Unpaid Sum to the last day of the current Interest Period in respect of the Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;  
exceeds:
- (b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the relevant interbank market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

**"Business Day"** means a day (other than a Saturday or Sunday) on which banks are open for general business in Oslo, New York, Stockholm, Zurich, Basel and Amsterdam.

**"Change of Control"** means the occurrence of any of the following events:

- (a) the Ultimate Parent ceases to directly own 100% of the shares in the Intermediate Parent;

- (b) the Intermediate Parent ceases to directly own 100% of the shares in each of the Borrowers, excluding in the event of a disposal in accordance with Clause 9.1 (*Disposal or Total Loss*);
- (c) John Fredriksen Family through Geveran Trading Co. Ltd. ceases to directly own at least 25% of the shares and voting rights of the Ultimate Parent;
- (d) John Fredriksen Family through GHL Greenwich Ltd. ceases to directly own 100% of the shares in Sterna Finance Ltd.; or
- (e) without the prior written approval of the Majority Lenders, any individual person or more persons acting in concert (other than Geveran Trading Co. Ltd.) have the right or the ability to control, either directly or indirectly, the affairs or composition of the majority of the board of directors (or equivalent) of the Ultimate Parent or becomes owners of 1/3 or more of the voting shares of the Ultimate Parent.

**"Collateral Vessel"** means any or all of the Initial Vessels and/or, following completion of a Substitution, one or several of the applicable Substitution Vessels, always limited to a maximum of three Collateral Vessels at any time.

**"Commitment"** means:

- (a) in relation to an Original Lender, the amount set opposite its name in Schedule 1 (*The Original Lenders*) and the amount of any other Commitment transferred to it under this Agreement;
- (b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement;

to the extent not cancelled, reduced or transferred by it under this Agreement.

**"Compliance Certificate"** means a certificate substantially in the form set out in Schedule 5 (*Form of Compliance Certificate*).

**"Default"** means an Event of Default or any event or circumstance specified in Clause 27 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

**"Delivery Date"** means each of the dates when each Collateral Vessel is actually delivered from the applicable Yard to the relevant Borrower pursuant to the relevant Shipbuilding Contract.

**"Disruption Event"** means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:
  - (i) from performing its payment obligations under the Finance Documents; or
  - (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,
  - (iii) and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

**"Drawdown"** means the disbursement of a Loan, including a pre-positioning of the Pre-positioning Portion under each Tranche as described in Clause 3.1 (*Purpose*).

**"Drawdown Date"** means the date, being a Business Day, specified in the Drawdown Request, on which the Borrowers wishes a Drawdown to be made, or (as the context requires) the date on which a Loan is actually made to the Borrowers.

**"Drawdown Request"** means a notice substantially in the form set out in Part I of Schedule 3 (*Requests and Notices*).

**"Earnings"** means all moneys whatsoever which are now, or later become, payable (actually or contingently) to any Obligor, and which arise out of the use of or operation of the Collateral Vessels, including (but not limited to):

- (a) all freight and hire payable, including (without limitation) payments of any nature under any charter or agreement for the employment, use, possession, management and/or operation of the Collateral Vessels;
- (b) any claim under any guarantees related to freight and hire payable as a consequence of the operation of the Collateral Vessels;
- (c) compensation payable in the event of any requisition of any of the Collateral Vessels or for the use of any of the Collateral Vessels by any government authority or other competent authority;
- (d) demurrage and retention money receivable in relation to any of the Collateral Vessels;
- (e) all moneys which are at any time payable under the Insurances in respect of loss of earnings; and
- (f) any other money whatsoever due or to become due from third parties or otherwise in relation to any of the Collateral Vessels.

**"EEA Member Country"** means any member state of the European Union, Iceland, Liechtenstein and Norway.

**"Environmental Approval"** means any permit, license, consent, approval and other authorisations and the filing of any notification, report or assessment required under any Environmental Law for the operation of the Collateral Vessels.

"**Environmental Claim**" means any claim, proceeding, enforcement or investigation by any party in respect of any Environmental Law or Environmental Approval.

"**Environmental Law**" means any applicable law, regulation, convention or treaty in any jurisdiction in which any Obligor conducts business which relates to the pollution or protection of the environment or to the carriage of material which is capable of polluting the environment.

"**Equity Ratio**" shall have the meaning given to it in Clause 24.1 (*Construction and definitions*).

"**EU Bail-In Legislation Schedule**" means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

"**Event of Default**" means any event or circumstance specified as such in Clause 27 (*Events of Default*).

"**FA Act**" means the Norwegian Act on Financial Agreements no. 46 of 25 June, 1999.

"**Facility**" means the senior secured term loan facility made available under this Agreement as described in Clause 2.1 (*The Facility*).

"**Facility Amount**" means the lower of:

- (a) USD 315,000,000; or
- (b) the aggregate of the Maximum Tranche Amount for each of the three Collateral Vessels,

or, in each case, as this may be increased in accordance with Clause 2.2 (*Accordion Increase Option*).

"**Fair Market Value**" means the fair market value of each Collateral Vessel in USD determined by calculating the arithmetic mean of minimum two independent valuations of each Collateral Vessel, obtained by the Borrowers from two Approved Shipbrokers. If the two valuations differ by a margin of more than ten (10) per cent., then a third Approved Shipbroker shall provide a calculation and the fair market value of the Collateral Vessel shall be the arithmetic mean of the three valuations. The valuations shall be in form and substance acceptable to the Facility Agent and at all times not be older than thirty (30) days, and shall be made on charter free basis without physical inspection of the Collateral Vessels and on the basis of a sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing buyer and seller.

"**FATCA**" means:

- (a) sections 1471 to 1474 of the US Internal Revenue Code of 1986 (the "Code") or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or

- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

**"FATCA Application Date"** means:

- (a) in relation to a "withholdable payment" described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014;
- (b) in relation to a "withholdable payment" described in section 1473(1)(A)(ii) of the Code (which relates to "gross proceeds" from the disposition of property of a type that can produce interest from sources within the US), 1 January 2019; or
- (c) in relation to a "passthru payment" described in section 1471(d)(7) of the Code not falling within paragraphs (a) or (b) above, 1 January 2019,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement.

**"FATCA Deduction"** means a deduction or withholding from a payment under a Finance Document required by FATCA.

**"FATCA Exempt Party"** means a Party that is entitled to receive payments free from any FATCA Deduction.

**"Fee Letters"** means any letters from the Facility Agent and/or the Arrangers to the Borrowers regarding certain fees to be paid by the Borrowers in respect of this Agreement.

**"Final Maturity Date"** means the date falling five (5) years from the date of Drawdown of the third Tranche, but in any event not later than 30 June 2023, or earlier in accordance with this Agreement.

**"Finance Document"** means:

- (a) this Agreement;
- (b) any Accession Letter;
- (c) any Compliance Certificate;
- (d) any Fee Letter;
- (e) other than in respect of Clauses 37 (*Amendments and Waivers*), 38 (*Counterparts*) and (in relation to any communications between the Borrowers and the Swap Providers) Clause 33 (*Notices*), each Hedging Agreement;
- (f) a Drawdown Notice;
- (g) a Selection Notice;
- (h) the Security Documents;

- (i) the Subordination Statement;
- (j) any Trust Agreements;
- (k) any other document (whether creating Security or not) which is executed at any time by any of the Obligors or any other person as security in favour of, or to establish any form of subordination to, the Finance Parties under this Agreement or any of the other documents referred to herein or therein and any such other document designated as "**Finance Document**" by the Facility Agent and the Borrowers.

"**Finance Party**" means any or all of the Lenders, the Arrangers, the Swap Providers, the Security Agent and the Facility Agent.

"**Financial Close**" means the date on which all the documents and other evidence listed in Part I of Schedule 2 (*Conditions Precedent*) have been provided in form and substance satisfactory to the Facility Agent.

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

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the IFRS, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (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;
- (h) any amount of any liability under a deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 60 days after the date of supply;



- (i) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under IFRS; and
- (j) (without double-counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) – (i) above.

**"Group"** means the Obligors and their Subsidiaries and any other entities required to be consolidated into any of their accounts and subsidiary undertakings under applicable law and IFRS.

**"Group Company"** means a member of the Group, however, excluding for the purpose of Clause 27 (*Events of Default*) any Group Company that:

- (a) is not an Obligor; and
- (b) that no Obligor has any actual or contingent liability for the obligations or liabilities of such Group Company (other than by way of Security over the shares in such Group Company or intra-group claims against such Group Company)..

**"Guarantee"** means the guarantee and indemnity (in Norwegian: "*påkravsgaranti*") granted by each of the Guarantors pursuant to Clause 20 (*On-demand Guarantee and Indemnity*).

**"Hedging Agreement"** means the ISDA 2002 master agreement (or any other swap agreement), and any confirmation and schedule entered into or to be entered into by any Borrower and any Swap Provider in accordance with Clause 25.11 (*Hedging arrangements*).

**"Holding Company"** means any company which:

- (a) has direct or indirect control; or
- (b) owns directly or indirectly more than fifty (50) per cent. (votes and capital), of another company.

**"IFRS"** means international accounting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

**"Initial Borrower"** means any or all, as the case may be, of:

- (a) FLEX LNG ENDEAVOUR LIMITED;
- (b) FLEX LNG ENTERPRISE LIMITED; and/or
- (c) FLEX LNG RANGER LIMITED.

**"Initial Vessel"** means any or all of the vessels listed as "Initial Vessels" in Schedule 9 (*List of Collateral Vessels*).

**"Insurances"** means the insurances from time to time taken out by or on behalf of any Obligor in respect of the Collateral Vessels, including those entered into in order to comply with Clause 26.1 (*Vessel Insurances*).

**"Interest Payment Date"** means the last Business Day of each Interest Period.

**"Interest Period"** means, in relation to a Loan, each of the periods determined in accordance with Clause 12 (*Interest Periods*), and, in relation to an Unpaid Sum, each period determined in accordance with Clause 11.3 (*Default Interest*).

**"Interpolated Screen Rate"** means, in relation to LIBOR for any Loan, the rate (rounded to the same number of decimal places as the two relevant Screen Rates) which results from interpolating on a linear basis between:

- (a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than the Interest Period of that Loan; and
- (b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds the Interest Period of that Loan, each as of 12 noon on the Quotation Day for USD.

**"Intragroup Indebtedness"** shall have the meaning given to it in Clause 25.15 (*Financial support*).

**"Inventory of Hazardous Material"** means a statement of compliance issued by the relevant Yard which includes a list of any and all materials known to be potentially hazardous utilised in the construction of that Collateral Vessel (also referred to as a List of Hazardous Materials).

**"ISM Code"** means the International Management Code for Safe Operations of Ships and for Pollution Prevention, as adopted by the International Maritime Organisation.

**"ISPS Code"** means the International Ship and Port Facility Security Code, as adopted by the International Maritime Organisation.

**"John Fredriksen Family"** means Mr. John Fredriksen, his direct lineal descendants, the personal estate of any of them and/or any trust created for the benefit of any of the aforementioned persons and their estates.

**"Lender"** means:

- (a) any Original Lender; and
- (b) any entity which has become a Party as a Lender in accordance with Clause 28 (*Changes to the Lenders*), which in each case has not ceased to be a Lender in accordance with the terms of this Agreement.

**"LIBOR"** means, in relation to any Loan:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for the Interest Period of that Loan) the Interpolated Screen Rate for that Loan; or
- (c) if:

- (i) no Screen Rate is available for USD; or
- (ii) no Screen Rate is available for the Interest Period of that Loan and it is not possible to calculate an Interpolated Screen Rate for that Loan, the Reference Bank Rate,

as of 12 noon Amsterdam time on the Quotation Day for USD and for a period equal in length to the Interest Period of that Loan and, if any such rate is below zero, LIBOR will be deemed to be zero.

**"Liquidity"** shall have the meaning given to it in Clause 24.1 (*Construction and definitions*).

**"Loan"** means any loan to be made under this Agreement or the principal amount outstanding for the time being of that loan.

**"Majority Lenders"** means

- (a) until the Commitments have been reduced to zero, Lenders whose Commitments aggregate more than 66 2/3 per cent. of the Total Commitments or, if the Commitments have been reduced to zero and no Loan is outstanding, aggregated more than 66 2/3 per cent. immediately prior to that reduction; or
- (b) at any other time, Lenders whose participations in the Loans then outstanding aggregate more than 66 2/3 per cent of all the Loans then outstanding.

**"Management Agreement(s)"** means any commercial, technical and/or operational management agreement entered into between any of the Borrowers and the Manager(s) regarding any of the Collateral Vessels, on terms and conditions acceptable to the Majority Lenders.

**"Manager"** means:

- (a) Bernhard Schulte Shipmanagement (Isle of Man) Limited; or
- (b) any other management company acceptable to the Facility Agent.

**"Margin"** means 2.85 % p.a.

**"Marpol"** means the International Convention for the Prevention of Pollution from Ships.

**"Material Adverse Effect"** means in the reasonable opinion of the Majority Lenders a material adverse effect on:

- (a) the business, operations, property or condition (financial or otherwise) or prospects of any Obligor or the Group taken as a whole; or
- (b) the ability of any of the Obligors to perform any of their obligations under the Finance Documents; or
- (c) the validity or enforceability of, or the effectiveness or ranking of any security granted or purported to be granted pursuant to any of the Finance Documents or the rights or remedies of any Finance Party under any of the Finance Documents.

**"Maximum Tranche Amount"** means an amount equal to the lower of:

- (a) 50% of the Total Delivery Costs for the relevant Collateral Vessel to be delivered from the Yard at the applicable Delivery Date; or
- (b) 55% of the Fair Market Value of the applicable Collateral Vessel; or
- (c) USD 105,000,000,

in each case, as such amount may be increased in accordance with Clause 2.2 (*Accordion Increase Option*) and subject to such amount being decreased over time in accordance with Schedule 7 (*Repayment Schedule*).

**"Mortgage(s)"** means any or all of the first priority or preferred, as applicable, cross collateralized ship mortgages and, if applicable, the declaration of pledges or deeds of covenants collateral thereto, in form and substance acceptable to the Security Agent and registered against each of the Collateral Vessels with the applicable Approved Ship Registry in a jurisdiction acceptable to the Facility Agent.

**"New Lender"** has the meaning given to that term in Clause 28 (*Changes to the Lenders*).

**"Obligors"** means the Guarantors and the Borrowers or any of them, as the case may be.

**"Operating Account(s)"** means either or all, as the case may be, of the accounts held with the Account Bank and listed as such in Schedule 10 (*List of Operating Accounts*) of any Borrower into which all Earnings of the applicable Borrower from the Collateral Vessels are to be paid, and which are to be subject to an Account Pledge.

**"Original Financial Statements"** means the audited financial statements for each Obligor (consolidated in respect of the Ultimate Parent), for the financial year ended 2016.

**"Party"** means a party to this Agreement.

**"Pre-positioning Portion"** means the part of the relevant Tranche to be used to finance the final instalment under the relevant Shipbuilding Contract.

**"Quotation Day"** means, in relation to any period for which an interest rate is to be determined two (2) Business Days before the first day of that period.

**"Reference Banks"** means ABN AMRO Bank N.V., Skandinaviska Enskilda Banken AB (PUBL) and DNB Bank ASA or such other banks as may be appointed by the Facility Agent.

**"Reference Bank Rate"** means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request by the Reference Banks, as the rate at which the relevant Reference Bank could borrow funds in the applicable interbank market in the relevant currency and for the relevant period, were it to obtain interbank offers for deposits in that currency and for that period.

**"Reference Bank Quotation"** means any quotation supplied to the Facility Agent by a Reference Bank.

**"Relevant Jurisdiction"** means in relation to any Party:

- (a) its jurisdiction of incorporation;
- (b) any jurisdiction where any asset subject to or intended to be subject to Security under a Security Document to be created by it is situated or registered, as applicable;
- (c) any jurisdiction where it conducts its business; and
- (d) the jurisdiction whose laws govern the perfection of any of the Security Documents entered into by it.

**"Repayment Date(s)"** shall have the meaning given to it in Clause 7.1 (*Repayment of the Loans*).

**"Repeating Representations"** means each of the representations set out in Clause 22.2 (*Status*) to Clause 22.5 (*Power and Authority*), Clause 22.8 (*Governing law and enforcement*) to Clause 22.12 (*No misleading information*), Clause 22.15 (*No proceedings pending or threatened*), Clause 22.17 (*Environmental compliance*), Clause 22.18 (*Environmental claims*) and Clause 22.23 (*Restricted Persons*).

**"Replacement Borrower"** a single purpose company incorporated as a corporation in the Republic of the Marshall Islands or any other jurisdiction acceptable to the Facility Agent, being a direct owner of a Substitution Vessel.

**"Restricted Person"** means a person that is:

- (a) listed on any Sanctions List;
- (b) located in, incorporated under the laws of, or owned or controlled by, or acting on behalf of, a person located in or organised under the laws of a country or territory that is the target of country-wide or territory-wide Sanctions;
- (c) otherwise a target of Sanctions (whether designated by name or by reason of being included in a class of person); or
- (d) owned or controlled, or acting on behalf, at the direction or for the benefit of a person referred to in (a) and/or (b) above.

**"Resolution Authority"** means any body which has authority to exercise any Write-down and Conversion Powers.

**"Sanctions"** means any economic, trade or financial sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by any Sanctions Authority, to the extent applicable to any Obligors, any of their Subsidiaries, each members of the Group, any of their directors, officers and employees, or any Finance Party.

**"Sanction Authority"** means:

- (a) the Kingdom of Norway;
- (b) the United States government;
- (c) the United Nations;
- (d) the United Kingdom;

- (e) the European Union or any of its member states;
- (f) the Swiss Confederation
- (g) any country to which any Obligor, or any other Group Company or any Affiliate of any of them is bound; or
- (h) the respective governmental institutions and agencies of any of the foregoing, including without limitation, the Office of Foreign Assets Control of the US Department of Treasury ("**OFAC**"), the United States Department of State, and Her Majesty's Treasury ("**HMT**").

"**Sanctions List**" means the "Specially Designated Nationals and Blocked Persons" list issued by OFAC, the Consolidated List of Financial Sanctions Targets and Investment Ban List issued by HMT, or any similar list issued or maintained or made public by any Sanctions Authority, each as amended, supplemented or substituted from time to time.

"**Screen Rate**" means the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for USD for the relevant period displayed on pages LIBOR01 or LIBOR02 of the Reuters screen (or any replacement Reuters page which displays that rate, or on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters. If such page or service ceases to be available, the Facility Agent may specify another page or service displaying the relevant rate after consultation with the Ultimate Parent.

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

"**Security Documents**" means each of the documents described in Clause 21 (*Security*), entered into or to be entered into as Security for the obligations of the Obligors under the Finance Documents.

"**Selection Notice**" means a notice substantially in the form set out in Part II of Schedule 3 (*Requests and Notices*) given in accordance with Clause 12 (*Interest Periods*) in relation to the Loan.

"**Share Pledges**" means first priority pledges in favour of the Security Agent (on behalf of the Finance Parties) to be created over all shares in the Borrowers pursuant to one or several share pledge agreements in form and substance acceptable to the Security Agent, to be entered into between the Security Agent and the Intermediate Parent.

"**Shipbuilding Contracts**" means any or all, as the case may be, of the shipbuilding contracts entered into between the applicable Borrower and the applicable Yard regarding the construction of the Collateral Vessels.

"**Sterna RCF**" means the revolving credit facility currently in the amount of USD 270,000,000 made available to the Intermediate Parent (as borrower) by Sterna Finance Ltd. (as lender) pursuant to a facility agreement dated 7 March 2017 as amended from time to time.

**"Subordination Statement"** means a subordination statement in form and substance acceptable to all Lenders, to be entered into between Sterna Finance Ltd. (as lender under the Sterna RCF) and the Facility Agent (on behalf of the Finance Parties), pursuant to which Sterna Finance Ltd. irrevocably fully subordinates its rights and claims against the Intermediate Parent to the rights and claims of the Finance Parties under the Finance Documents.

**"Subsidiary"** means an entity of which a person:

- (a) has direct or indirect control; or
- (b) owns directly or indirectly more than fifty (50) per cent. (votes and capital).

**"Substitution"** means the replacement of an Initial Borrower with a Replacement Borrower and the substitution of an Initial Vessel as Collateral Vessel by the Substitution Vessel owned by such Replacement Borrower, to be completed in accordance with Clause 6 (*Substitution*).

**"Substitution Date"** means the date, confirmed in writing by the Facility Agent, upon which a Substitution is completed in accordance with Clause 6 (*Substitution*).

**"Substitution Letter"** means a document substantially in the form set out in Schedule 6 (*Form of Substitution Letter*).

**"Substitution Period"** means the period from and including the date of this Agreement until the earlier of:

- (a) the date of completion of a third Substitution of an Initial Vessel;
- (b) 24 months from first Drawdown; or
- (c) 31 December, 2019.

**"Substitution Vessel"** means any or all of the vessels listed as "Substitution Vessels" in Schedule 9 (*List of Collateral Vessels*).

**"Tax"** means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

**"Total Assets"** shall have the meaning given to it in Clause 24.1 (*Construction and definitions*).

**"Total Commitments"** means USD 315,000,000, being the aggregate of the Commitments, subject to increase under the (uncommitted) accordion increase option in Clause 2.2 (*Accordion Increase Option*).

**"Total Delivery Costs"** means the aggregate of:

- (a) the purchase price for each Collateral Vessel under the relevant Shipbuilding Contract; and
- (b) other costs related to the construction of the applicable Collateral Vessels (supervision costs, commissioning, positioning, cool-down, spares, stores, mobilisation, financing costs, legal costs etc.).

"**Total Equity**" shall have the meaning given to it in Clause 24.1 (*Construction and definitions*).

"**Total Loss**" means:

- (a) actual, constructive, agreed, arranged or other total loss of any Collateral Vessel;
- (b) any hijacking, theft, act of piracy, capture, or seizure, unless the Collateral Vessel is released and restored to the applicable Borrower from such hijacking, theft, act of piracy, capture or seizure within three (3) months from the date it took place;
- (c) any confiscation, expropriation, requisition or acquisition of any Collateral Vessel, whether for full consideration, a consideration less than its proper value, a nominal consideration or without any consideration, which is effected by any government or by persons acting or purporting to act on behalf of the government, unless the applicable Collateral Vessel is released and restored to the applicable Borrower from such confiscation, expropriation, requisition or acquisition within three (3) months from the date it took place.

"**Total Loss Date**" means:

- (a) in the case of an actual total loss of any Collateral Vessel, the date on which it occurred or, if that is unknown, the date when the Collateral Vessel was last heard of;
- (b) in the case of a constructive, compromised, agreed or arranged total loss of any Collateral Vessel, the earlier of: (i) the date on which a notice of abandonment is given to the insurers; and (ii) the date of any compromise, arrangement or agreement made by or on behalf of the applicable Borrower with the Collateral Vessel's insurers in which the insurers agree to treat the applicable Collateral Vessel as a total loss; and
- (c) in the case of any other type of total loss, on the date (or the most likely date) on which it appears to the Facility Agent that the event constituting the total loss occurred.

"**Tranche**" means any of the three term loans to be made available to the Borrowers by the Lenders under this Agreement, as described in Clause 2.1 (*The Facility*), each in the amount of up to the Maximum Tranche Amount applicable to the relevant Collateral Vessel, or the principal amount outstanding for the time being of that loan, and "Tranches" means all of them.

"**Transaction Documents**" means any Management Agreement, any subordination statement issued by any Manager in favour of the Facility Agent and/or Security Agent, the Sterna RCF, any Shipbuilding Contract and any Acceptable Charter Agreement, and if applicable any memorandum of agreements.

"**Trust Agreement**" means:

- (a) any vessel trust agreement entered into from time to time between the Facility Agent and the Security Agent (as mortgagee) in respect of each Collateral Vessel and Mortgage, whereby the Security Agent agrees to hold the Collateral Vessels and/or the Mortgages on trust for the Finance Parties; and



- (b) any trust deed entered into from time to time between the Finance Parties and the Security Agent in respect of any English law governed Security Documents.

"**Unpaid Sum**" means any sum due and payable but unpaid by any Borrower under the Finance Documents.

"**US**" means United States of America.

"**USD**" means United States Dollars.

"**VAT**" means value added tax as provided for in the Value Added Tax Act 2009 and any other tax of a similar nature.

"**Working Capital**" shall have the meaning given to it in Clause 24.1 (*Construction and definitions*).

"**Write-down and Conversion Powers**" means:

- (a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule; and
- (b) in relation to any other applicable Bail-In Legislation:
- (i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and
- (ii) any similar or analogous powers under that Bail-In Legislation.

"**Yard**" means Daewoo Shipbuilding and Marine Engineering Co., Ltd. and/or, as the case may be, Samsung Heavy Industries Co., Ltd.

## 1.2 Construction

- (a) Unless a contrary indication appears, a reference in this Agreement to:
- (i) the "Facility Agent", any "**Borrower**", any "**Arranger**", any "**Swap Provider**", any "**Lender**", any "**Finance Party**", any "**Party**" or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
- (ii) a "**Finance Document**" or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented, extended or restated;

- (iii) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
  - (iv) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; and
  - (v) a provision of law is a reference to that provision as amended or re-enacted.
- (b) Section, Clause and Schedule headings are for ease of reference only.
  - (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
  - (d) A Default (other than an Event of Default) is "**continuing**" if it has not been remedied or waived and an Event of Default is "**continuing**" if it has not been waived.
  - (e) In the event the application of any of the terms of the Security Documents should be conflicting or inconsistent with the application of the terms of this Agreement, the terms of this Agreement shall have precedence, provided that such application would not have a negative effect on the validity or enforceability of the Security created or contemplated to be created under the Security Documents.

### 1.3 The FA Act

Each Obligor hereby agrees and accepts, to the extent permitted by law, that this Clause 1.3 (*The FA Act*) shall constitute a waiver of the provisions of the FA Act, and further agrees and accepts, to the extent permitted by law, that the provisions of the FA Act shall not apply to this Agreement or to the relationship between the Finance Parties and each Obligor.

## SECTION 2

### THE FACILITY

## 2 THE FACILITY

### 2.1 The Facility

Subject to the terms of this Agreement, the Lenders agree to make available to the Borrowers a senior secured term loan facility up to the lower of the Total Commitments and the Facility Amount.

### 2.2 Accordion Increase Option

The Obligors may at any time during the first twenty-four (24) months after the first Drawdown Date, by giving no less than 60 days' prior written notice to the Facility Agent, request the Lenders (in their sole discretion) to consider to increase the amount of a Tranche and consequently the Facility Amount, subject to the following:

- (a) the Borrowers providing a copy of an Acceptable Charter Agreement, in form and substance acceptable to the Lenders;
- (b) the written approval by each of the Lenders (in their sole discretion and it being understood that this accordion option is completely uncommitted, subject to inter alia credit committee approvals etc.);
- (c) the Lenders subscribing for the full amount of the requested increase;
- (d) no Default is continuing or would occur as a result of any increase of the Commitments; and
- (e) the Parties implementing any increased Facility Amount and Commitments and the terms for such by way of an amendment agreement to this Agreement, in form and substance acceptable to the Lenders.

The Ultimate Parent has prior to this Agreement indicated its expectations in terms of leverage (in case of an increase) to be 60% (debt to Fair Market Value) for an Acceptable Charter Agreement with a term between five to ten years and 70% (debt to Fair Market Value) for an Acceptable Charter Agreement with a term beyond ten years.

### **2.3 Potential introduction of a fourth Tranche**

- (a) The Borrowers may request that the Lenders also make available a fourth Tranche for the purpose of financing a fourth Collateral Vessel and that the Total Commitments be increased correspondingly, subject to the following:
  - (i) the written approval by all Lenders;
  - (ii) no Lender has any obligation to increase its Commitments;
  - (iii) the new fourth Tranche and the increased Commitments will be made available on the terms and conditions of this Agreement;
  - (iv) no Default is continuing or would occur as a result of any increase of the Commitments; and
  - (v) any increase in the Total Commitments shall take effect on the date on which the conditions set out in paragraphs (a) and (b) are satisfied.
- (b) An increase in the Total Commitments and the availability of the fourth Tranche will only be effective on the execution by all Lenders and the Obligors of an amendment agreement to this Agreement, implementing the fourth Tranche, the additional Borrower and Collateral Vessel and such other changes the Lenders request and setting out any additional requirement to be met in order for the increase to become effective.

### **2.4 Finance Parties' rights and obligations**

- (a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

- (b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from any Borrower shall be a separate and independent debt.
- (c) A Finance Party may separately enforce its rights under the Finance Documents.

## **2.5 Obligor's agent**

- (a) Each Obligor (other than the Ultimate Parent) by its execution of this Agreement irrevocably appoints the Ultimate Parent to act on its behalf as its agent in relation to the Finance Documents and irrevocably by way of security authorises:
  - (i) the Ultimate Parent on its behalf to supply all information concerning itself contemplated by this Agreement to the Finance Parties and to give all notices and instructions, to make such agreements and to effect the relevant amendments, supplements and variations capable of being given, made or effected by the Ultimate Parent notwithstanding that they may affect the other Obligors, without further reference to or the consent of the other Obligors; and
  - (ii) each Finance Party to give any notice, demand or other communication to the Obligors pursuant to the Finance Documents to the Ultimate Parent, and in each case the other Obligors shall be bound as though the Ultimate Parent itself had been given the notices and instructions or executed or made the agreements or effected the amendments, supplements or variations, or received the relevant notice, demand or other communication.
- (b) Every act, omission, agreement, undertaking, settlement, waiver, amendment, supplement, variation, notice or other communication given or made by the Ultimate Parent or given to the Ultimate Parent under any Finance Document on behalf of the other Obligors or in connection with any Finance Document (whether or not known to any of the other Obligors) shall be binding for all purposes on the other Obligors as if it had expressly made, given or concurred with it. In the event of any conflict between any notices or other communications of the Ultimate Parent and the other Obligors, those of the Ultimate Parent shall prevail.

## **2.6 Joint and several liability**

The Borrowers are jointly and severally liable to the Finance Parties for any amount outstanding under this Agreement and the other Finance Documents.

## **3 PURPOSE**

### **3.1 Purpose**

- (a) Subject to the terms of this Agreement, the Lenders make available to the Borrowers, during the Availability Period, a senior secured term loan facility for Drawdown in three Tranches in an aggregate principal amount of up to the lower of the Total Commitments or the Facility Amount, towards the financing of each Borrower's acquisition of the Initial Vessels from the Yard, including the Pre-positioning Portion and, if applicable, reimbursement of the relevant parts of the Total Delivery Costs.

- (b) Each Tranche shall be made available in an aggregate amount not exceeding the Maximum Tranche Amount applicable to the Initial Vessel and be made available in up to two (2) Drawdowns:
  - (i) the Pre-positioning Portion applicable to that Initial Vessel to be pre-positioned three (3) Business Days prior to the Delivery Date for the applicable Initial Vessel with a bank and subject to such terms as approved by the Facility Agent; and
  - (ii) the remaining part (if any) of the applicable Tranche to be made available to the applicable Borrower on the Delivery Date for that Initial Vessel.

### **3.2 Monitoring**

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

## **4 CONDITIONS PRECEDENT**

### **4.1 Initial conditions precedent**

- (a) The Borrowers may not deliver a Drawdown Request, and no Finance Parties' obligations under this Agreement shall become effective, unless Financial Close has occurred in accordance with Clause 4.3 (*Financial Close*) and the Facility Agent has received all of the documents and other evidence listed in Part II of Schedule 2 (*Conditions precedent*) which shall be delivered three (3) Business Days prior to the Drawdown Date (being the date of pre-positioning of the Pre-positioning Portion) at the latest, save for the documents listed under Part III of Schedule 2 (*Conditions precedent*) which shall be delivered at the Delivery Date at the latest and save for the documents listed under Part IV of Schedule 2 (*Conditions subsequent*) which shall be delivered in accordance with Clause 4.4 (*Conditions subsequent*), each in form and substance satisfactory to the Facility Agent (acting on behalf of the Lenders). The Facility Agent shall notify the Borrowers and the Lenders promptly upon being so satisfied.
- (b) Other than to the extent that all Lenders notify the Facility Agent in writing to the contrary before the Facility Agent gives the notification described in paragraph (a) above, the Lenders authorise (but do not require) the Facility Agent to give that notification. The Facility Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

### **4.2 Further conditions precedent**

Subject to Clause 4.1 (*Initial conditions precedent*), the Lenders will only be obliged to comply with Clause 5.3 (*Lenders' participation*), if on the date of a Drawdown Request and on the proposed Drawdown Date and Delivery Date:

- (a) no Default or potential Default having occurred; and
- (b) all the representations and warranties in Clause 22 (*Representations*) or the Repeating Representations, as applicable, are true.

### 4.3 Financial Close

If Financial Close has not occurred on or before 22 December 2017 or such later date as agreed by the Facility Agent: (a) except for this Clause, Clauses 14 (*Fees*), 17 (*Other Indemnities*), 19 (*Costs and Expenses*), 21.3 (*Set-off*), 32.4 (*Partial payments*), 32.5 (*Set-Off by any Obligor*), 40 (*Governing Law*) and 41 (*Enforcement*), all the provisions of this Agreement shall lapse and cease to have effect but (b) neither the lapsing of those provisions nor their ceasing to have effect shall affect any accrued rights of any Finance Party or accrued liabilities of the Obligors under the Finance Documents.

### 4.4 Condition subsequent

It is a condition subsequent for each Loan made available under this Agreement that the Facility Agent no later than the date falling five (5) Business Days after each Delivery Date has received all of the documents and other evidence listed in Part IV of Schedule 2 (*Conditions precedent*), all in form and substance satisfactory to the Facility Agent.

## SECTION 3

### DRAWDOWN AND SUBSTITUTION

## 5 DRAWDOWN

### 5.1 Delivery of a Drawdown Request

The Borrowers, or the Ultimate Parent on behalf of the Borrowers, may utilise the Facility by delivery to the Facility Agent of a duly completed Drawdown Request not later than 12 noon Amsterdam time three (3) Business Days prior to a proposed Drawdown Date, unless a shorter notice period has been agreed by the Facility Agent (acting on behalf of the Lenders).

### 5.2 Completion of a Drawdown Request

A Drawdown Request is irrevocable and will not be regarded as having been duly completed unless:

- (a) it identifies the Collateral Vessel to which it relates;
- (b) the proposed Drawdown Date is a Business Day within the Availability Period;
- (c) the currency of the proposed Drawdown is USD;
- (d) up to six (6) Drawdowns may be requested under the Facility, two per Tranche (including the Pre-positioning Portion), unless otherwise permitted as a result of Clause 9.1 (d);
- (e) the aggregate amount of any Drawdown requested on the proposed Drawdown Date and the amount of any Drawdown outstanding or previously requested under the same Tranche (including any Pre-positioning Portion) is an amount not exceeding the lower of the applicable Maximum Tranche Amount and the Available Facility; and
- (f) the aggregate of all Drawdowns utilised and the amount of any Drawdown requested, does not exceed the Facility Amount.

### 5.3 Lenders' participation

- (a) Upon receipt of a Drawdown Request, the Facility Agent shall notify each Lender of the details of the requested Loan and the amount of each Lender's participation in the relevant Loan.
- (b) If the conditions set out in this Agreement have been met, the Lenders shall, no later than 10:00 hours Amsterdam time on the relevant Drawdown Date, make its participation in a Loan available to the Facility Agent for the account of the Borrowers in an amount equal to the proportion borne by its Commitment immediately prior to making the Loan.

### 5.4 Pre-positioning of funds

- (a) The pre-positioning of the Pre-positioning Portion under each Tranche as described in Clause 3.1 (*Purpose*) shall constitute a Drawdown and the Borrowers shall at that time become indebted, as principal and direct obligor, to each Lender in an amount equal to that Lender's participation in that Loan.
- (b) The terms of the pre-positioning are to be finally agreed between the Borrowers and the Facility Agent (acting on the instructions of all Lenders) and, for the avoidance of doubt, each of the Obligor undertakes not to sign any protocol of delivery and acceptance under the Shipbuilding Contracts thereby, or otherwise, release the Pre-positioning Portion, unless and until the Facility Agent has confirmed that the relevant conditions have been or (pursuant to agreed closing procedures) will be met in accordance with Clause 4.1 (*Initial conditions precedent*) paragraph (a).

## 6 SUBSTITUTION

### 6.1 Substitution

- (a) The Borrowers shall have the option during the Substitution Period to three (3) times complete a Substitution, subject to the terms and conditions set out in this Clause 6 (Substitution).
- (b) A Substitution may only take place once the Facility Agent (on behalf of the Lenders) in its sole discretion is satisfied that:
  - (i) the Majority Lenders have consented to the Substitution;
  - (ii) no Default is continuing or would result from the proposed Substitution;
  - (iii) no Material Adverse Effect would result from the proposed Substitution;
  - (iv) the Repeating Representations to be made by each Obligor (including the Replacement Borrower) are true in all material respects;
  - (v) the applicable Initial Borrower, the Ultimate Parent and the Replacement Borrower have delivered to the Facility Agent a duly completed and executed Substitution Letter no less than six (6) months prior to the Substitution Date;

- (vi) if the Tranche relating to the Collateral Vessel to be replaced has been increased in accordance with Clause 2.2 (*Accordion Increase Option*) and the Acceptable Charter Agreement having supported such increase will follow such vessel and not be continued with the Substitution Vessel, the Borrowers shall prior to the Substitution Date prepay the Loans by an amount equal to the former increase of the Facility Amount, but reduced pro rata by any instalments paid since the increase of the Facility Amount and the repayment schedule shall be amended to reflect the original repayment schedule in effect prior to any increase of such Tranche; and
- (vii) the Facility Agent has received all of the documents and other evidence listed in Part V (*Conditions precedent to Substitution*) of Schedule 2 (*Conditions precedent and subsequent*) in form and substance satisfactory to it, including such other documents and evidence as listed in Part I to IV of this Schedule 2 as requested by the Facility Agent, including for the avoidance of any doubt, such Security to be granted by the Replacement Borrower replacing the Security previously granted by the Initial Borrower being replaced.

## 6.2 Effects of Substitution

On the Substitution Date:

- (a) the Replacement Borrower shall accede to this Agreement as joint and several Borrower and become liable for the obligations of the Initial Borrower it replaced, including, for the avoidance of doubt, maintaining the then outstanding amount under the respective Tranche and repayment profile, which will continue unchanged (save as a result of paragraph (b)(vi) of Clause 6.1);
- (b) the Initial Borrower (being replaced) shall be released from its obligations under each Finance Document (other than the Hedging Agreements, which transactions thereunder shall, unless otherwise agreed between the Borrowers and the applicable Swap Provider, be terminated at the Initial Borrower's cost), as a Borrower and shall cease to be a Party to this Agreement;
  - (i) all references to the terms "Borrowers", "Borrower", "Obligors" or "Obligor" shall include the Replacement Borrower; and
  - (ii) all references to the terms "Collateral Vessel" or "Collateral Vessels" shall include the Substitution Vessel, however, for the avoidance of doubt, any release of obligations and/or related Security will not be completed until corresponding obligations have been assumed and Security has been established by the Replacement Borrower;
- (c) the Facility Agent shall notify the other Parties, substantially in the form set out in Schedule 8 (*Form of Substitution Confirmation Letter*) confirming the occurrence of a Substitution Date, promptly upon being satisfied that:
  - (i) it has received (in form and substance satisfactory to it) all the documents and other evidence listed in paragraph (b) of Clause 6.1 (*Substitution*) above; and



- (ii) the Replacement Borrower has acceded to this Agreement as a Borrower.

## SECTION 4

### REPAYMENT, PREPAYMENT AND CANCELLATION

#### 7 REPAYMENT AND REDUCTION

##### 7.1 Repayment of the Loans

- (a) The Borrowers shall repay each Tranche in quarterly instalments in amounts as set out in the illustrative repayment schedule in Schedule 7 (*Repayment Schedule*), using an average repayment profile of 18 years (first eight instalments based on a twenty (20) years repayment profile (i.e. full repayment to zero when the vessel turns 20 years of age) and remaining instalments based on a 17 years repayment profile).
- (b) The Facility Agent shall provide updated and final repayment schedules prior to the final Drawdown Date under each Tranche, reflecting the final amount of each Tranche and the Drawdown Dates.
- (c) The first instalment under each Tranche is to be due on the date falling three (3) months after the applicable Drawdown Date (being the date which the Pre-positioning Portion is pre-positioned) and thereafter instalments fall due on each date falling on three monthly intervals thereafter (collectively the "**Repayment Dates**").
- (d) The Loans shall be repaid in full at the Final Maturity Date, at which time any and all other amounts or obligations of the Obligors under the Finance Documents are due in full.
- (e) The Borrowers may not re-borrow any part of the Facility which is repaid, other than as part of a Substitution following a prepayment in accordance with paragraph (d) of Clause 9.1 (*Disposal or Total Loss*).

##### 7.2 Reductions

The Maximum Tranche Amount available for Drawdown shall be reduced in accordance with Schedule 7 (*Repayment Schedule*) and may not at any time exceed the amount set out in column "Available amount" applicable for a Drawdown at the applicable time.

#### 8 ILLEGALITY, VOLUNTARY PREPAYMENT AND CANCELLATION

##### 8.1 Illegality

If it becomes unlawful under any law, regulation, treaty or any directive of any monetary authority in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund, issue or maintain its participation in a Loan or if it becomes contrary to Sanctions to do the same:

- (a) that Lender, shall promptly notify the Facility Agent upon becoming aware of that event;
- (b) upon the Facility Agent notifying the Borrowers, each Available Commitment of that Lender will be immediately reduced to zero and cancelled; and

- (c) the Borrowers shall repay that Lender's participation in any Loan on the last day of the Interest Period for each Loan occurring after the Facility Agent has notified the Borrowers or, if earlier, the date specified by the Lender in the notice delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law (including any Sanctions)) and that Lender's corresponding Commitment(s) shall be cancelled in the amount of the participations repaid.

## **8.2 Voluntary prepayment**

The Borrowers may prepay the whole or any part of the Facility (but if in part, in a minimum amount of USD 5,000,000 and in multiples of USD 1,000,000, or in such other amounts as the Facility Agent may from time to time agree) without penalty on any Interest Payment Date, if they give the Facility Agent not less than fifteen (15) Business Days' prior irrevocable notice.

## **8.3 Voluntary cancellation**

The Borrowers may, if it gives the Facility Agent not less than ten (10) Business Days' (or such shorter period as the Facility Agent may agree) prior notice, cancel the whole or any part (being a minimum amount of USD 5,000,000 and in multiples of USD 1,000,000) of the Facility. Any cancellation under this Clause 8.3 shall reduce the Commitments under the Facility of the Lenders rateably.

## **8.4 Right of repayment in relation to a single Lender**

- (a) If:
  - (i) any sum payable to any Lender by the Borrowers is required to be increased under paragraph (b) of Clause 15.1 (*Tax gross-up*); or
  - (ii) any Lender claims indemnification from the Borrowers under Clause 15.2 (*Tax indemnity*) or Clause 16.1 (*Increased costs*),  
  
the Borrowers may, whilst the circumstance giving rise to the requirement for that increase or indemnification continues, give the Facility Agent notice of its intention to procure the repayment of that Lender's participation in any Loan.
- (b) On receipt of a notice referred to in paragraph (a) above in relation to a Lender, the Commitment(s) of that Lender shall immediately be reduced to zero.
- (c) On the last day of the Interest Period which ends after the Borrowers have given notice under paragraph (a) above in relation to a Lender (or, if earlier, the date specified by the Borrowers in that notice), the Borrowers shall repay that Lender's participation in any Loan together with all interest and other amounts accrued under the Finance Documents.

## **9 MANDATORY PREPAYMENT**

### **9.1 Disposal or Total Loss**

- (a) If a Collateral Vessel is sold or otherwise disposed of in whole or in part (either directly or indirectly through a disposal of shares in the applicable vessel owning Borrower), or becomes a Total Loss, the Borrowers shall prepay the Tranche applicable to that Collateral Vessel (or Borrower, if by disposal of shares), together with all accrued interests, costs and fees related to such Tranche.

- (b) The amount due under paragraph (a) above shall become due and payable:
- (i) in case of a sale or disposal, on or before the earlier of:
    - (A) the date the disposal proceeds have been received; or
    - (B) the date on which the sale is completed by transfer of the title to the applicable Collateral Vessel (or Borrower) from the relevant Borrower (or Intermediate Parent in case of a disposal of shares) to the buyer; or
  - (ii) in the case of a Total Loss, on the earlier of:
    - (A) the date falling ninety (90) days after the Total Loss Date; or
    - (B) the date of receipt of the insurance proceeds or requisition compensation relating to such Total Loss; or
    - (C) immediately after the completion of an expropriation or requisition of title, in the event of a Total Loss by way of expropriation or requisition for title of the Collateral Vessel by any government or by persons acting or purporting to act on behalf of the government.
- (c) Following prepayment in accordance with the above paragraphs, and in case of a sale subject to closing procedure to be agreed between the Borrowers and the Facility Agent (in its sole discretion), the Facility Agent shall be entitled to release (including taking any steps necessary to giving effect to such release) any Security Documents relating to the relevant Collateral Vessel and the release of any relevant Borrower and the relevant Collateral Vessel sold or lost shall subsequently no longer be defined as a "Collateral Vessel" or included in the definition of "Collateral Vessels" under this Agreement.
- (d) Provided that the disposal (of Collateral Vessel or shares in vessel owning Borrower) or Total Loss of a Collateral Vessel, occurs within the Availability Period, the Borrowers may redraw the applicable Tranche (subject to any reductions pursuant to Clause 7.2 (*Reductions*)) by making a Drawdown in order to complete a Substitution of the Collateral Vessel having suffered a Total Loss or been disposed. Consequently, for the avoidance of doubt, commitment fees shall start to accrue in accordance with Clause 14.2 (*Commitment fee*) in respect of such Tranche for the remaining part of the Availability Period from the date of prepayment.

## 9.2 Change of Control

Upon the occurrence of a Change of Control, the Facility Agent (acting on the instructions of the Lenders) may by 60 days' prior written notice cancel the Total Commitments and demand prepayment of all Loans, whereupon the Total Commitments shall be automatically cancelled and all Loans and other amounts outstanding under the Finance Documents shall be prepaid within such 60 days' period.

### **9.3 Termination, cancellation or repudiation of Acceptable Charter Agreement**

In case the Facility Amount has been increased in accordance with Clause 2.2 (*Accordion Increase Option*) and the Acceptable Charter Agreement having supported such increase is subsequently terminated prior to its term, the Borrowers shall promptly upon termination of such Acceptable Charter Agreement prepay the Loans by an amount equal to the former increase of the Facility Amount, but reduced pro rata by any instalments paid since the increase of the Facility Amount.

## **10 RESTRICTIONS**

### **10.1 Notices of Prepayment**

Any notice of prepayment, authorisation or other election given by any Party shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant prepayment is to be made and the amount of that prepayment.

### **10.2 Application of funds, interest and other amounts**

- (a) Any mandatory prepayment under this Agreement and any prepayment resulting from Clause 26.11 (*Fair Market Value*) shall be applied in inverse order of maturity against the remaining amortisations under the Facility pro rata between the Tranches.
- (b) Any voluntary prepayment made pursuant to this Agreement shall be applied against the remaining repayment instalments, including the balloons within the Tranches subject to prepayment.
- (c) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.

### **10.3 No reborrowing of the Facility**

The Borrowers may not re-borrow any part of the Facility, other than as set out in paragraph (d) of Clause 9.1 (*Disposal or Total Loss*) and no part of the Facility cancelled may be reinstated.

### **10.4 Receipt of Notices**

If the Facility Agent receives a notice under Clause 8 (*Illegality, voluntary prepayment and cancellation*), it shall promptly forward a copy of that notice to either the Borrowers or the affected Lender, as appropriate.

### **10.5 Prepayment elections**

The Facility Agent shall notify the Lenders as soon as possible of any proposed prepayment of any Loan under Clause 8.1 (*Voluntary prepayment*).

### **10.6 Cancellation of Commitment**

Any unused Commitment shall be immediately cancelled at the end of the Availability Period.

**SECTION 5**  
**COSTS OF UTILISATION**

**11 INTEREST**

**11.1 Calculation of Interest**

The rate of interest on any Loan for each Interest Period is the percentage rate per annum which is the aggregate of:

- (a) the Margin; and
- (b) LIBOR.

**11.2 Payment of interest**

The Borrowers shall pay accrued interest on any Loan on each Interest Payment Date (and if the Interest Period is longer than three (3) months, on the date falling at three (3) monthly intervals after the first day of the Interest Period).

**11.3 Default interest**

- (a) If any Obligor fails to pay any amount payable by it under a Finance Document in accordance on its due date, interest shall accrue on the overdue amount as well as any Loan from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is two (2) per cent. higher than the rate which would have been payable if the overdue amount had, during the period of non-payment, constituted a Loan in the currency of the overdue amount for successive Interest Periods, each of a duration selected by the Facility Agent (acting reasonably). Any interest accruing under this Clause 11.3 shall be immediately payable by the Borrowers on demand by the Facility Agent.
- (b) Default interest (if unpaid) arising on overdue interest and any Loan will be compounded with the overdue interest at the end of each Interest Period applicable to that overdue interest but will remain immediately due and payable on demand by the Facility Agent.

**12 INTEREST PERIODS**

**12.1 Selection of Interest Periods**

- (a) The Borrowers may select an Interest Period for a Loan in a Drawdown Request or (once borrowed) in a Selection Notice.
- (b) Each Selection Notice is irrevocable and must be delivered to the Facility Agent by the Borrowers not later than 10 a.m. Amsterdam time three (3) Business Days prior to the beginning of the next Interest Period.
- (c) If the Borrowers fails to deliver a Selection Notice to the Facility Agent in accordance with paragraph (b) above, the relevant Interest Period will, subject to paragraph (e) below, be three (3) months.

- (d) Subject to this Clause 12 and to a maximum of three one (1) month interest periods being selected each year, the Borrowers may select an Interest Period of one (1), three (3) or six (6) months or (subject always to availability of all Lenders) such other period as the Lenders and the Borrowers may agree in writing.
- (e) The first Interest Period shall commence on the Drawdown Date (being the date which the Pre-positioning Portion is pre-positioned), and each subsequent Interest Period shall commence on the expiry of the preceding Interest Period.
- (f) The Interest Periods for any subsequent Drawdown shall each commence on the applicable Drawdown Date, but shall expire at the same time as any current Interest Period, in order to consolidate the Interest Periods for all Tranches.

## 12.2 Non-Business Days

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

## 12.3 No overrunning

If an Interest Period would otherwise overrun the Final Maturity Date, it shall be shortened so that it ends on the Final Maturity Date.

## 13 CHANGES TO THE CALCULATION OF INTEREST

### 13.1 Absence of quotations

Subject to Clause 13.2 (*Market disruption*), if the applicable LIBOR is to be determined by reference to the Reference Bank Quotation but a Reference Bank does not supply a quotation by 12 noon Amsterdam time on the Quotation Day, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

### 13.2 Market disruption

- (a) If a Market Disruption Event occurs in relation to any Loan for any Interest Period, then the rate of interest on each Lender's share of any Loan for the Interest Period shall be the percentage rate per annum which is the sum of:
  - (i) the Margin; and
  - (ii) the rate notified to the Facility Agent by that Lender as soon as practicable and in any event by close of business on the date falling two (2) Business Days prior to the date on which interest is due to be paid in respect of that Interest Period, to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in any Loan from whatever source it may reasonably select.
- (b) In this Agreement, "**Market Disruption Event**" means:
  - (i) at or about noon Amsterdam time on the Quotation Day for the relevant Interest Period the Screen Rate is not available and none or only one of the Reference Banks supplies a rate to the Facility Agent to determine LIBOR for the relevant Interest Period; or

- (ii) before close of business in Amsterdam on the Quotation Day for the relevant Interest Period, the Facility Agent receives notifications from a Lender or Lenders that the cost to it of funding its participation in a Loan from whatever source it may reasonably select would be in excess of the applicable LIBOR.

### **13.3 Alternative basis of interest or funding**

- (a) If a Market Disruption Event occurs and the Facility Agent or the Borrowers so require, the Facility Agent and the Borrowers shall enter into negotiations (for a period of not more than thirty (30) days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of all the Lenders and the Borrowers, be binding on all Parties.

### **13.4 Break Costs**

- (a) The Borrowers shall, within three (3) Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by the Borrowers on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) Each Lender shall, as soon as reasonably practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

## **14 FEES**

### **14.1 Arrangement fee**

The Borrowers shall pay to the Facility Agent for further distribution a non-refundable arrangement fee in an amount and at such time as set out in a separate Fee Letter.

### **14.2 Commitment fee**

- (a) The Borrowers shall pay to the Facility Agent (for the account of each Lender) a fee in USD computed at a rate per annum equal to 40% of the Margin, calculated on each Lender's available Commitment, from the date of this Agreement to the earlier of:
  - (i) the date of cancellation of any Commitment or the expiry of the Availability Period; or
  - (ii) the date on which the Facility has been fully drawn (subject to paragraph (d) of Clause 9.1 (*Disposal or Total Loss*)) or cancelled in whole.
- (b) The accrued commitment fee is payable quarterly in arrears on the last day of each fiscal quarter and on the last day of the Availability Period or such other date upon which the Facility is fully drawn or cancelled in whole or, in respect of any part cancellation, on the cancelled amount on the date the cancellation is effective.

### 14.3 Agency fee

The Borrowers shall pay to the Facility Agent an annual agency fee in the amount and at the times as set out in a Fee Letter.

### 14.4 Substitution fee

In the event that the Borrowers request a Substitution, the Borrowers shall pay to the Facility Agent (for distribution pro rata to the Lenders) a substitution fee equal to 15 bps of the Tranche relating to the Substitution Vessel within five (5) days from the Substitution Date.

## SECTION 6

### ADDITIONAL PAYMENT OBLIGATIONS

## 15 TAX GROSS UP AND INDEMNITIES

### 15.1 Tax gross-up

- (a) Each Obligor shall make all payments to be made by it under any Finance Document free and clear of and without deduction for or on account of any Taxes, unless any Obligor is required by law to make such payment subject to the deduction or withholding of such Taxes.
- (b) If a tax deduction or withholding is required by law to be made by an Obligor, the amount of the payment due from that Obligor shall be increased to an amount which (after making any deduction or withholding) leaves an amount equal to the payment which would have been due if no such deduction or withholding had been required.

### 15.2 Tax indemnity

- (a) Without prejudice to Clause 15.1 (*Tax gross-up*), if any Finance Party is required to make any payment of or on account of Tax on or in relation to any sum received or receivable hereunder (including any sum received or receivable under this Clause 15) or if any liability in respect of such payment is asserted or imposed against any Finance Party, each Obligor shall, upon demand of the Facility Agent, promptly pay to the Finance Party an amount equal to the loss, liability or cost which that Finance Party determines will be or has been (directly or indirectly) suffered for or on account of Tax in respect of a Finance Document.
- (b) Paragraph (a) above shall not apply:
  - (i) with respect to any Tax imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party by the jurisdiction in which such Finance Party is treated as resident for tax purposes;
  - (ii) to the extent a loss, liability or cost is compensated for by an increased payment under Clause 15.1 (*Tax gross-up*); or
  - (iii) to the extent a loss, liability or cost relates to a FATCA Deduction required to be made by a Party.



### 15.3 Tax Credit

- (a) If any Obligor makes a Tax Payment and the relevant Finance Party determines that:
- (i) a Tax Credit is attributable either to an increased payment of which that Tax Payment forms part or to that Tax Payment; and
  - (ii) that Finance Party has obtained, utilised and retained that Tax Credit,
- the Finance Party shall pay an amount to the Obligor which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Borrower.
- (b) For the purpose of paragraph (a) above:
- (i) "**Tax Credit**" means a credit against, relief or remission for, or repayment of, any Tax; and
  - (ii) "**Tax Payment**" means either the increase in a payment made by an Obligor to a Finance Party under Clause 15.1 (*Tax gross-up*) or a payment under Clause 15.2 (*Tax indemnity*).

### 15.4 Stamp taxes

Each Obligor shall pay and, within three (3) Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration and other similar Taxes payable in respect of any Finance Document.

### 15.5 VAT

All amounts set out or expressed in a Finance Document to be payable by an Obligor to a Finance Party shall be deemed to be exclusive of any VAT, and accordingly, if VAT is or becomes chargeable on any supply made by any Finance Party to an Obligor under a Finance Document, the Obligor shall pay to the Finance Party (in addition to and at the same time as paying any other consideration) an amount equal to the amount of such VAT.

### 15.6 FATCA Information

- (a) Subject to paragraph (c) below, each Party shall, within ten (10) Business Days of a reasonable request by another Party:
- (i) confirm to that other Party whether it is:
    - (A) a FATCA Exempt Party; or
    - (B) not a FATCA Exempt Party; and
  - (i) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA;

- (ii) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.
- (b) If a Party confirms to another Party pursuant to Clause 15.6 (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.
- (c) Paragraph (a) above shall not oblige any Finance Party to do anything which would or might in its reasonable opinion constitute a breach of:
  - (i) any law or regulation;
  - (ii) any policy of that Finance Party;
  - (iii) any fiduciary duty; or
  - (iv) any duty of confidentiality.
- (d) If a Party fails to confirm its status or to supply forms, documentation or other information requested in accordance with paragraph (a) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

## **15.7 FATCA Deduction**

- (a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.
- (b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, shall notify the Borrowers and the Facility Agent and the Facility Agent shall notify the other Finance Parties.

## **16 INCREASED COSTS**

### **16.1 Increased costs**

- (a) Subject to Clause 16.3 (*Exceptions*) each Obligor shall, within three (3) Business Days of a demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of:
  - (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation;

- (ii) compliance with any law or regulation made after the date of this Agreement;
- (iii) implementation of or compliance with Basel III, CRD IV or CRR; or
- (iv) the implementation, application of or compliance with IFRS 9 or any other changes in relevant reporting standards.

For the purpose of this Clause 16.1:

**"Basel III"** shall mean the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated, and any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III".

**"CRD IV"** means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

**"CRR"** means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012).

**"IFRS 9"** means the International Financial Reporting Standard (IFRS) by the International Accounting Standards Board (IASB) designated as "IFRS 9" and replacing IAS 39.

- (b) In this Agreement **"Increased Costs"** means:
  - (i) a reduction in the rate of return from the Facility or on a Finance Party's (or its Affiliate's) overall capital;
  - (ii) an additional or increased cost; or
  - (iii) a reduction of any amount due and payable under any Finance Document, which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into its participation in the Loans or funding or performing its obligations under any Finance Document.

## 16.2 Increased cost claims

- (a) A Finance Party intending to make a claim pursuant to Clause 16.1 (*Increased Costs*) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly notify the Borrower.
- (b) Each Finance Party shall, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Increased Costs.

### 16.3 Exceptions

Clause 16.1 (*Increased Costs*) does not apply to the extent any Increased Cost is:

- (a) attributable to a tax deduction or withholding required by law to be made by an Obligor;
- (b) compensated for by Clause 15.1 (*Tax gross-up*) or Clause 15.2 (*Tax indemnity*);
- (c) attributable to a FATCA Deduction required to be made by a Party; or
- (d) attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation.

## 17 OTHER INDEMNITIES

### 17.1 Currency indemnity

- (a) If any sum due from an Obligor under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:
  - (i) making or filing a claim or proof against an Obligor; or
  - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,each Obligor shall as an independent obligation, within three (3) Business Days of demand, indemnify the Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.
- (b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency other than that in which it is expressed to be payable.

### 17.2 Other indemnities

- (a) Each Obligor shall, within three (3) Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by it as a result of:
  - (i) the occurrence of any Event of Default;
  - (ii) a failure by an Obligor to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 31 (*Sharing among the Finance Parties*);
  - (iii) funding, or making arrangements to fund, its participation in a Loan requested in a Drawdown Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone);

- (iv) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower; or
  - (v) any civil penalty or fine against, any settlement, and any other liability, and all reasonable costs and expenses (including reasonable counsel fees and disbursements) incurred by the Facility Agent or any Lender as a result of the violation of any Obligor or any of their directors, officers, employees, agents or advisors, of any Sanctions.
- (b) The indemnity in (a)(v) above shall cover any liability incurred by each Finance Party in any jurisdiction arising under or in connection with any Sanctions.

### **17.3 Indemnity to the Facility Agent and the Security Agent**

- (a) Each Obligor shall promptly indemnify the Facility Agent and the Security Agent against any cost, loss or liability incurred by the Facility Agent or the Security Agent (acting reasonably) as a result of:
- (i) any failure by any Obligor to comply with its obligations under Clause 19 (Cost and Expenses);
  - (ii) acting as Facility Agent (and otherwise in the case of any cost, loss or liability pursuant to an Disruption Event) under the Finance Documents;
  - (iii) acting as Security Agent under the Security Documents or which otherwise relates to any Security created thereby;
  - (iv) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under this Agreement;
  - (v) investigating any event which it reasonably believes is a Default;
  - (vi) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised;
  - (vii) the taking, holding, protection or enforcement of the Security created by the Security Documents;
  - (viii) the exercise of any of the rights, powers, discretions and remedies vested in the Facility Agent by the Finance Documents or by law; and
  - (ix) any default by any Obligor in the performance of any of the obligations expressed to be assumed by it in the Finance Documents.
- (b) The Security Agent may, in priority to any payment to the Secured Parties, indemnify itself out of the Security pursuant to the Security Documents in respect of, and pay and retain, all sums necessary to give effect to the indemnity in this Clause 17.3 and shall have a lien on the Security pursuant to the Security Documents and the proceeds of the enforcement of the Security pursuant to the Security Documents for all moneys payable to it.

## **18 MITIGATION BY THE LENDERS**

### **18.1 Mitigation**

- (a) Each Finance Party shall, in consultation with the Borrowers, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 9.1 (*Illegality*), Clause 15 (*Tax gross-up and indemnities*) or Clause 16 (*Increased Costs*).
- (b) Paragraph (a) above does not in any way limit the obligations of the Obligors under the Finance Documents.

### **18.2 Limitation of liability**

- (a) Each Obligor shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 18.1 (*Mitigation*).
- (b) A Finance Party is not obliged to take any steps under Clause 18.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

## **19 COSTS AND EXPENSES**

### **19.1 Transaction expenses**

Each Obligor shall promptly on demand pay the Facility Agent the amount of all costs and expenses (including but not limited to travel expenses, legal fees, fees of tax advisor, technical advisor, independent appraiser and insurance consultant etc.) reasonably incurred by the Facility Agent and the Security Agent in connection with the negotiation, preparation, printing, execution and perfection of:

- (a) this Agreement and any other documents referred to in this Agreement and the Security Documents; and
- (b) any other Finance Documents executed after the date of this Agreement.

### **19.2 Amendment costs**

If any Obligor requests an amendment, waiver or consent, each Obligor shall, within three (3) Business Days of demand, reimburse the Facility Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by any Finance Party in responding to, evaluating, negotiating or complying with that request or requirement.

### **19.3 Enforcement and preservation costs**

Each Obligor shall, within three (3) Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by it in connection with the enforcement of or the preservation of any rights under any Finance Document and the Security Documents and any proceedings instituted by or against the Facility Agent and/or Security Agent as a consequence of taking or holding the Security created under the Security Documents or enforcing these rights.

## SECTION 7

### GUARANTEE AND SECURITY

#### 20 ON-DEMAND GUARANTEE AND INDEMNITY

##### 20.1 On-demand Guarantee and indemnity

Each Guarantor irrevocably and unconditionally:

- (a) guarantees to each Finance Party punctual performance of the Borrowers' obligations under the Finance Documents;
- (b) undertakes with each Finance Party to immediately pay on first demand (No. *påkravsgaranti*) in accordance with a written demand by the Facility Agent (on behalf of the Finance Parties);
- (c) agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability it incurs as a result of the Borrowers not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Finance Document on the date when it would have been due.

##### 20.2 Continuing Guarantee

This Guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by the Borrowers under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

##### 20.3 Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of the Borrowers or any security for those obligations or otherwise) is made by a Finance Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency or otherwise, then the liability of each Guarantor under this Guarantee will continue or be reinstated as if the discharge, release or arrangement had not occurred.

##### 20.4 Waiver of defences and compliance with the FA Act

The provisions of the FA Act Section 67 shall not apply to this Guarantee and the obligations of each Guarantor under this Guarantee will not be affected by an act, omission, matter or thing which would otherwise reduce, release or prejudice any of its obligations under this Guarantee (without limitation and whether or not known to it or any Finance Party), including:

- (a) any defence, objection or similar action based on (and/or arising from) the Finance Documents or other underlying relationships, agreements and transactions whatsoever (to the extent permitted by law);
- (b) any failure to comply with Sections 62 to 74 of the FA Act;
- (c) any time, waiver or consent granted to, or composition with, any Borrower or other person;

- (d) the release of the Borrowers or any other person under the terms of any composition or arrangement with any creditor of any member of the Group;
- (e) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any of the Borrowers or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (f) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any of the Borrowers or any other person;
- (g) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of a Finance Document or any other document or security including, without limitation, any change in the purpose of, any extension of or increase in any facility or the addition of any new facility under any Finance Document or other document or security;
- (h) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or
- (i) any insolvency or similar proceedings.

## **20.5 Immediate recourse**

Each Guarantor waives any right it may have of first requiring any Finance Party to proceed against or enforce any other rights or security or claim payment from any person before claiming from each Guarantor under this Guarantee. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

## **20.6 Appropriations**

Until all amounts which may be or become payable by the Borrowers under or in connection with the Finance Documents have been irrevocably paid in full, each Finance Party may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and each Guarantor shall not be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor's liability under this Guarantee.

## **20.7 Deferral of Guarantor's rights**

Until all amounts which may be or become payable by the Borrowers under or in connection with the Finance Documents have been irrevocably paid in full and unless the Facility Agent otherwise directs, each Guarantor will not exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Guarantee:

- (a) to be indemnified by any of the Borrowers;



- (b) to claim any contribution from any other guarantor of any of the Borrowers' obligations under the Finance Documents;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party;
- (d) to bring legal or other proceedings for an order requiring any of the Borrowers to make any payment, or perform any obligation;
- (e) to assign any claim it may have against any of the Borrowers to any person or entity;
- (f) to exercise any right of set-off against any of the Borrowers; and/or
- (g) to claim or prove as a creditor of any of the Borrowers in competition with any Finance Party, however, so that any Guarantor shall be entitled to prove in the liquidation or other dissolution of any of the Borrowers, subject to paying to the Facility Agent (on behalf of the Lenders) any proceeds of the liquidation or other dissolution received by the Guarantor.

If any Guarantor receives any benefit, payment or distribution in relation to such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all amounts which may be or become payable to the Finance Parties by any of the Borrowers under or in connection with the Finance Documents to be repaid in full on trust for the Finance Parties and shall promptly pay or transfer the same to the Facility Agent or as the Facility Agent may direct for application in accordance with Clause 32 (*Payment mechanics*).

#### **20.8 Additional security**

This Guarantee is in addition to the Security to be created under the Security Documents.

The information regarding additional Security is included to meet the requirements of Section 61 of the FA Act and shall not in any way prejudice the Facility Agent's rights to amend or waive any Security.

#### **20.9 Guarantee Limitations**

Each Guarantor's liability under this Guarantee shall never exceed USD 380,000,000, plus interest thereon and fees, costs and expenses as set out in this Agreement and the other Finance Documents.

#### **20.10 Joint and several obligations of the Borrowers**

To the extent any of the Borrowers' joint liability under this Agreement or the Finance Documents covering:

- (a) any part of the Loans applied to finance the acquisition of any Collateral Vessel owned by any of the other Borrowers; and/or
- (b) any liabilities under any Hedging Agreements entered into by any of the other Borrowers,

are considered or deemed to represent a guarantee by any of the Borrowers, then the provisions under this Clause 20, including the maximum guaranteed amount under Clause 20.9, shall apply mutatis mutandis to such joint liability of the Borrowers, however, for the avoidance of doubt, not to any part of a Borrower's liability for any part of the Loans applied to finance the Collateral Vessel owned by such Borrower or to any Hedging Agreement which, irrespective of any agreement on joint liability, would have been such Borrower's own and sole liability.

## **21 SECURITY**

### **21.1 Security Documents**

The obligations of the Obligors under the Finance Documents shall be secured by:

- (a) the Account Pledge;
- (b) the Assignment of Earnings and Charterparties;
- (c) the Assignment of Hedging Claims;
- (d) the Assignment of Insurances;
- (e) the Assignment of Intercompany Loans;
- (f) the Mortgages; and
- (g) the Share Pledges.

### **21.2 Sharing of Security**

The Security created by the Security Documents shall secure the Obligors' obligations under this Agreement and the Hedging Agreements on a pro rata basis, but subject to distribution of proceeds in accordance with Clause 32.4 (*Partial payments*).

### **21.3 Set-off**

A Finance Party may set-off any obligation due from any Obligor under a Finance Document against any obligation owed by that Finance Party to the Obligor, regardless of the place of payment, booking branch or currency of any such obligation. If the obligations are in different currencies, the Finance Party may convert the obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

### **21.4 Perfection and further assistance**

- (a) Each Obligor shall promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Agent may reasonably specify (and in such form as the Security Agent may reasonably require in favour of the Security Agent or its nominee(s)):

- (i) to perfect the Security created or intended to be created under or evidenced by the Security Documents (which may include the execution of a mortgage, charge, assignment or other Security over all or any of the assets which are, or are intended to be, the subject of the Security) or for the exercise of any rights, powers and remedies of the Security Agent or the Finance Parties provided by or pursuant to the Finance Documents or by law;
  - (ii) to confer on the Security Agent, Security over any property and assets of that Obligor located in any jurisdiction equivalent or similar to the Security intended to be conferred by or pursuant to the Security Documents; and/or
  - (iii) to facilitate the realisation of the assets which are, or are intended to be, the subject of the Security.
- (b) Each Obligor shall take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on the Security Agent or the Finance Parties by or pursuant to the Finance Documents.
- (c) If the Security Agent enforces any or all of the Share Pledges, each Guarantor and each Borrower hereby irrevocably (i) waives any and all of its claims against the (other) Borrowers and releases the (other) Borrowers from any and all liabilities to each Guarantor and each Borrower, including but not limited to any liabilities of the (other) Borrowers under any intra-group or shareholder loans and any liability to each Guarantor and the (other) Borrowers under any recourse claims (the "**Borrower Liabilities**"), and (ii) authorises the Security Agent and grants power of attorney to the Security Agent to (without any consent, sanction, authority or further confirmation from any other party), to release any and all of the Borrower Liabilities, in order to allow for a sale of the shares in each of the Borrowers to be completed without any claims of any Guarantor and/or any of the (other) Borrowers continuing to exist against any of the Borrowers following such sale to the extent permitted by applicable mandatory laws.
- (d) Each Borrower shall ensure that the Mortgages be amended to cover any and all Hedging Agreements entered into subsequent to the date of any of the Mortgages, on terms acceptable to the Security Agent and without undue delay from entry into of any such Hedging Agreement, in order to secure that any liability of the Borrowers under any and all Hedging Agreements are secured under the Mortgages.

## SECTION 8

### REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

#### 22 REPRESENTATIONS

##### 22.1 General

Each of the Obligors makes the representations and warranties set out in this Clause 22 to each Finance Party.

## **22.2 Status**

- (a) It is a company with limited liability or corporation, as applicable, duly incorporated and validly existing under the law of its jurisdiction of incorporation.
- (b) It has the power to own its assets and carry on its business as it is being conducted.

## **22.3 Binding obligations**

- (a) The obligations expressed to be assumed by it in each Finance Document are (or, when executed, will be) legal, valid, binding and enforceable obligations.
- (b) Each Security Document will, when duly executed, delivered and perfected, create the Security which that Security Document purports to create and that Security will then be valid and effective.

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

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents and the granting of the Security pursuant to the Security Documents, do not and will not conflict with:

- (a) any present law or regulation applicable to it (including Directive 1905/60/EC of the European Parliament and of the Council of the European Communities Union of 26 October 2005, implemented to combat money laundering);
- (b) its constitutional documents; or
- (c) any agreement or instrument binding upon it or any of its assets.

## **22.5 Power and authority**

- (a) 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, the Finance Documents to which it is a party and the transactions contemplated by those documents.
- (b) No limit on its powers will be exceeded as a result of the borrowing, granting of security or giving of guarantees or indemnities contemplated by the Finance Documents.

## **22.6 Authorisations**

All authorisations, consents, licenses, approvals or exemptions of any governmental or regulatory authority, bureau or agency in the Relevant Jurisdictions required in connection with the execution, delivery, performance, validity or enforceability of this Agreement and the Finance Documents to which it is a party and any other agreements and instruments required or contemplated hereunder have been delivered to the Facility Agent and are in full force and effect, and any condition contained therein or otherwise applicable thereto has been or will at the appropriate time be complied with and fulfilled during the life of this Agreement.

## 22.7 Payment of Taxes

It has complied with all taxation laws in all jurisdictions where it is subject to taxation and has paid all Taxes and other amounts due to governments and other public bodies. No claims are being asserted against it with respect to any Taxes or other payments due to public or governmental bodies save as disclosed to the Lenders pursuant to Clause 25.6 (*Taxation*).

## 22.8 Governing law and enforcement

- (a) The choice of governing law of the Finance Documents will be recognised and enforced in its Relevant Jurisdictions.
- (b) Any judgment obtained in relation to a Finance Document in the jurisdiction of the governing law of that Finance Document will be recognised and enforced in its Relevant Jurisdictions.

## 22.9 No winding up

No:

- (a) corporate action, legal proceeding or other procedure or step described in paragraph (a) of Clause 27.7 (*Insolvency proceedings*); or
- (b) creditors' process described in Clause 27.8 (*Creditors' process*), has been taken or threatened in relation to any Obligor and none of the circumstances described in Clause 27.6 (*Insolvency*) is applicable.

## 22.10 No filing or stamp taxes

Under the laws of its Relevant Jurisdiction it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration, notarial or similar Taxes or fees be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents, except the registration of the Mortgages with the Approved Ship Registry, which registrations, filings, taxes and fees shall be made and paid promptly by the Obligors after the date of the relevant Finance Document.

## 22.11 No default

- (a) No Default is continuing or might reasonably be expected to result from the making of any Drawdown or the entry into and performance of or any transaction contemplated by any of the Finance Documents.
- (b) No other event or circumstance is outstanding which constitutes or might reasonably be expected to constitute a default or termination event (however described) under any other agreement or instrument which is binding on it or to which its assets are subject which has or is reasonably likely to have a Material Adverse Effect.

## **22.12 No misleading information**

Any factual information provided by any Obligor and/or its advisors in connection with the Finance Documents was, to each Obligor's knowledge, after having made due and careful enquiries, true and accurate in all material respects as at the date the information is expressed to be given and all projections (if any) contained therein have been prepared in good faith on the basis of assumptions which were reasonable at the time at which they were prepared and supplied.

## **22.13 Original Financial Statements**

- (a) The Original Financial Statements were prepared in accordance with IFRS consistently applied and fairly represent its financial condition and results of operations during the relevant financial year.
- (b) There has been no material adverse change in its business or financial condition since 31 December 2016.
- (c) All financial documents and information relating to it or otherwise relevant to the matters contemplated by this Agreement which have been supplied to the Facility Agent or the Lenders by it are complete and correct in all material respects, and it has not omitted to disclose to the Finance Parties any information, documents or agreements known to it which, if disclosed, could in its opinion reasonably be expected to affect the decision of the Finance Parties to enter into this Agreement.

## **22.14 Pari Passu Ranking**

Its payment obligations under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

## **22.15 No proceedings pending or threatened**

No litigation, arbitration or administrative proceedings of, or before, any court, arbitral body or agency which might reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief (having made due and careful enquiry)) been started or threatened against it.

## **22.16 No breach of laws**

It is in compliance in all material respect with all laws and regulation applicable to it.

## **22.17 Environmental compliance**

It has performed and observed all Environmental Laws, Environmental Approvals and all other covenants, conditions, restrictions or agreements directly or indirectly concerned with any contamination, pollution or waste or the release or discharge of any toxic or hazardous substance in connection with its on-going operations.

## **22.18 Environmental Claims**

No Environmental Claim has been commenced (or if commenced, there are none that are not fully settled) or is threatened against it.

## **22.19 Collateral Vessel**

Each Collateral Vessel will from the applicable Drawdown Date be:

- (a) in the absolute ownership of the relevant Borrower, free and clear of all encumbrances (other than current crew wages and the Mortgage) and the relevant Borrower will be the sole, legal and beneficial owner of the applicable Collateral Vessel;
- (b) registered in the name of the relevant Borrower with the Approved Ship Registry;
- (c) operationally seaworthy in every way and fit for service; and
- (d) classed with an Approved Classification Society, free of all overdue requirements and other material recommendations.

#### **22.20 ISM Code, ISPS Code and Marpol Compliance**

From the applicable Drawdown Date, all requirements of the ISM Code, the ISPS Code, Marpol and any other applicable international maritime safety regulation relevant to the operation and maintenance of each Collateral Vessel have been complied with.

#### **22.21 Ownership**

- (a) The Ultimate Parent owns 100% of all the shares in the Intermediate Parent.
- (b) The Intermediate Parent owns 100% of all shares in each of the Borrowers.

#### **22.22 Business of the Borrowers**

Each Borrower will only be involved in the ownership and/or operation of the Collateral Vessels and activities related thereto.

#### **22.23 Restricted Persons**

No Obligor nor any member of the Group nor any director, officer, agent or employee of any of them or person acting on behalf of the foregoing is a Restricted Person nor acts directly or indirectly on behalf of a Restricted Person, is in breach of Sanctions or, to its knowledge, subject to or involved in any complaint, claim, proceeding, formal notice, investigation or other action by any regulatory or enforcement authority or third party concerning any Sanctions.

#### **22.24 Transaction Documents**

- (a) The Transaction Documents to which any Obligor is a party are, subject to any principles of law of general and mandatory application, in full force and effect and constitutes legal, valid and binding rights and obligations of the applicable Obligors enforceable in accordance with their terms and in respect of other parties, to the best of the Obligors' knowledge, enforceable in all material respects.
- (b) The Transaction Documents to which any Obligor is not a party are, subject to any principles of law of general and mandatory application, to the best of the Obligors' knowledge, in full force and effect and constitutes legal, valid, binding and enforceable rights and obligations in all material respects of the parties thereto.
- (c) No material amendments have been made to any Transaction Document to which an Obligor is a party, other than as disclosed in writing to the Finance Parties prior to the date of this Agreement.

## 22.25 Times when representations made

- (a) All the representations and warranties in this Clause 22 are deemed to be made by each Obligor on the date of this Agreement.
- (b) The Repeating Representations are deemed to be made by each Obligor on the date of a Drawdown Request, on the Drawdown Date and on the first day of each Interest Period by reference to the facts and circumstances then existing.

## 23 INFORMATION UNDERTAKINGS

The undertakings in this Clause 23 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

### 23.1 Financial statements

Each Obligor shall supply to the Facility Agent in sufficient copies for all the Lenders:

- (a) as soon as reasonably practicable after the same are available (and in any event no later than one-hundred and twenty (120) days after the end of its financial year):
  - (i) the unaudited unconsolidated (in respect of the Borrowers) financial statement for that financial year;
  - (ii) the audited consolidated (in respect of the Ultimate Parent) financial statement for that financial year; and
- (b) as soon as reasonably practicable after the same are available (and in any event no later than sixty (60) days after the end of each financial quarters):
  - (i) the unaudited and unconsolidated (in respect of each Obligor) quarterly financial statements for that financial quarter; and
  - (ii) the unaudited consolidated (in respect of the Ultimate Parent) financial statement for that financial quarter.

### 23.2 Budget

The Ultimate Parent shall supply to the Facility Agent in sufficient copies for all the Lenders, as soon as reasonably practicable after the same are available (and in any event no later than 31 January each year), its consolidated budget and cash flow projections for the next financial year, in form and substance satisfactory to the Facility Agent.

### 23.3 Provision and contents of Compliance Certificate

- (a) The Ultimate Parent shall supply a Compliance Certificate to the Facility Agent with each set of annual and quarterly financial statements.
- (b) The Compliance Certificate shall, amongst other things, set out (in reasonable detail) computations as to compliance with Clause 24 (*Financial Covenants*), Clause 26.1 (*Vessel insurances*) and Clause 26.11 (*Fair Market Value*), together with any relevant supporting documentation, such as valuations of the Collateral Vessels in accordance with Clause 23.5 (*Report on Fair Market Value*), enabling the Lenders to determine and monitor the Obligors' compliance.



- (c) Each Compliance Certificate shall be signed by the CFO or another person authorised to represent the Ultimate Parent.

#### **23.4 Requirements as to financial statements**

- (a) The Obligors shall procure that each set of financial statements includes a balance sheet, profit and loss account, cash flow statement and appropriate explanatory notes.
- (b) Each set of financial statements delivered pursuant to Clause 23.1 (*Financial statements*) shall be:
  - (i) prepared in accordance with IFRS, accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements; and
  - (ii) signed by an authorised person of each Obligor.

#### **23.5 Report on Fair Market Value**

- (a) The Obligors shall, at their own expense, arrange for the Fair Market Value to be determined semi-annually in connection with Q1 and Q3 financial statements.
- (b) The Lenders may obtain valuations on the Fair Market Value at any time during the tenor of the Facility at their own expense or, in case of an Event of Default or a mandatory prepayment event under Clause 9.1 (*Disposal or Total Loss*), at the expense of the Obligors.

#### **23.6 Information: miscellaneous**

The Obligors shall supply to the Facility Agent (in sufficient copies for all the Lenders, if the Facility Agent so requests):

- (a) at the same time as they are dispatched, copies of all relevant documents dispatched by any Obligor to its creditors in general;
- (b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current or, to its knowledge, threatened or pending against any of the Obligors, and which, if adversely determined, might be reasonably expected to have a Material Adverse Effect, and further details of any such matter previously disclosed to the Facility Agent, if the likelihood of an adverse determination has increased, as the Facility Agent may reasonably request; and
- (c) promptly on request, such further information as any Finance Party through the Facility Agent may reasonably request.

#### **23.7 Notification of default**

- (a) The Borrowers shall notify the Facility Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

- (b) Promptly upon a request by the Facility Agent, the Borrowers shall supply to the Facility Agent a certificate signed by an authorised signatory of the Ultimate Parent certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

### 23.8 "Know your customer" checks

- (a) If:
  - (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Agreement;
  - (ii) any Change in UBO after the date of this Agreement;
  - (iii) any Applicable KYC Procedures;
  - (iv) any change in the status of an Obligor (or of a Holding Company of an Obligor) or the composition of the shareholders of an Obligor (or of a Holding Company of an Obligor) after the date of this Agreement; or
  - (v) a proposed assignment or transfer by a Lender of any of its rights and/or obligations under this Agreement to a party that is not a Lender prior to such assignment or transfer,

obliges the Facility Agent or any Lender (or, in the case of paragraph (iii) above, any prospective new Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, each Obligor shall promptly upon the request of the Facility Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself or on behalf of any Lender) or any Lender (for itself or, in the case of the event described in paragraph (iii) above, on behalf of any prospective new Lender) in order for the Facility Agent, such Lender or, in the case of the event described in paragraph (iii) above, any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

For the purpose of this Clause 23.8:

**"Applicable KYC Procedures"** means any applicable "know your customer" checks or similar identification procedures, or equivalent internal policies of a Lender or the Facility Agent, or any equivalent procedures required by applicable law or regulations (including the Dutch money laundering and anti-terrorism act (Wet ter voorkoming van witwassen en financieren terrorisme)).

**"Change in UBO"** means any event by which a private individual (natuurlijk persoon) (i) acquires the legal and/or beneficial ownership (directly or indirectly) of 25 per cent. or more of the issued share capital of an Obligor or (ii) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to (directly or indirectly) cast, or control the casting of, 25 per cent. or more of the votes that might be cast at a general meeting of the Obligor or (iii) is otherwise able to exercise effective control over the Obligor.

- (b) Each Lender shall promptly upon the request of the Facility Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself) in order for the Facility Agent to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.
- (c) If an accession of a Replacement Borrower in the event of a proposed Substitution obliges the Facility Agent or any Lender to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Ultimate Parent shall promptly upon the request of the Facility Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself or on behalf of any Lender) or any Lender (for itself or on behalf of any prospective new Lender) in order for the Facility Agent or such Lender or any prospective new Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the accession of such Replacement Borrower.

## 23.9 Notification of Environmental Claims

Each Obligor shall inform the Facility Agent in writing as soon as reasonably practicable upon becoming aware of the same:

- (a) if any Environmental Claim has been commenced or (to the best of any Obligor's knowledge and belief) is threatened against any of the Obligors or the Collateral Vessels; and
- (b) if any fact and circumstances which will or are reasonably likely to result in any Environmental Claim being commenced against any of the Obligors or any of the Collateral Vessels.

## 24 FINANCIAL COVENANTS

### 24.1 Construction and definitions

Except otherwise explicitly provided for in this Agreement, an accounting term used in this Clause is to be construed in accordance with IFRS.

For the purposes of this Clause 24, the following definitions shall apply:

**"Cash and Cash Equivalents"** means, at any date, the aggregate amount of freely available cash and cash equivalents of the Group, in each case reported in accordance with IFRS, including without limitation:

- (a) cash in hand or on freely available deposit with any bank or financial institution;
- (b) certificates of deposits or marketable debt securities (included money market funds) with a maturity of twelve (12) months or less after the relevant date of calculation, issued by an Arranger or a financial institution which has a rating for its long term unsecured and non-credit enhanced debt obligations with A or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or A2 or higher by Moody's Investor Services Limited or a comparable rating from an internationally recognised credit rating agency; or
- (c) any other instrument, security or investment approved in writing by the Facility Agent, and in each case, to which any of the Obligors is beneficially entitled at that time and which can be promptly realised and applied against the Loans.

"**Equity Ratio**" means the ratio of Total Equity to Total Assets.

"**Liquidity**" means, at any given time, the aggregate of:

- (a) in respect of each Borrower, the amount credited on its Operating Account; and
- (b) in respect of the Ultimate Parent (on consolidated basis), Cash and Cash Equivalents and, provided that Cash and Cash Equivalents contributes with minimum USD 15,000,000, any amount freely and unconditionally available for drawings under the Sterna RCF.

"**Total Assets**" means the aggregate book value of total assets in accordance with IFRS, less any goodwill.

"**Total Equity**" means the aggregate book value of the equity treated as equity in accordance with IFRS.

"**Working Capital**" means current assets less current liabilities (which shall exclude instalments of long term debt due in the next year, capital lease payments and, in respect of any Borrower only, any intra group debt incurred in accordance with Clause 25.13 (b) (ii) (*Financial Indebtedness restrictions*)).

## 24.2 Financial testing

The financial covenants set out in this Clause 24 (*Financial Covenants*) shall be calculated in accordance with IFRS consistently applied and tested quarterly, by reference to each of the financial statements delivered pursuant to paragraphs (a) and (b) of Clause 23.1 (*Financial Statements*) and/or each Compliance Certificate delivered pursuant to Clause 23.3 (*Provision and contents of Compliance Certificate*) and/or, in respect of the Liquidity of each Borrower, by reference to the balance credited on the applicable Operating Accounts.

## 24.3 Financial condition of Ultimate Parent (consolidated)

The Ultimate Parent shall ensure that it maintains (on a consolidated basis) at all times:

- (a) an Equity Ratio of minimum 0.25 to 1.0;
- (b) a positive Working Capital; and
- (c) Liquidity of minimum the higher of:

- (i) USD 15,000,000; or
- (ii) an amount equal to five per cent. (5%) of the Group's total interest bearing Financial Indebtedness on a consolidated basis (excluding the Sterna RCF) and net of any Cash and Cash Equivalents.

#### **24.4 Financial condition of each Borrower (unconsolidated)**

Each Borrower shall ensure that it maintains at all times:

- (a) a positive Working Capital; and
- (b) Liquidity of minimum USD 1,200,000.

#### **24.5 Reporting breach**

If, prior to the delivery of a Compliance Certificate pursuant to Clause 23.3 (*Provision and contents of Compliance Certificate*), any Obligor becomes aware that the financial covenants set out in this Clause 24 (*Financial Covenants*) will not be complied with, the Obligors shall immediately notify the Facility Agent thereof.

### **25 GENERAL UNDERTAKINGS**

The undertakings in this Clause 25 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

#### **25.1 Authorisations**

Each of the Obligors shall promptly:

- (a) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (b) supply certified copies to the Facility Agent of

any Authorisation required under any law or regulation of a Relevant Jurisdiction to enable it to perform its obligations under the Finance Documents, ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document.

#### **25.2 Compliance with laws**

- (a) Each Obligor shall, and shall ensure that each Group Company as well as any manager and charterer) comply in all material respects with all laws and regulations to which it and any Collateral Vessel may be subject.
- (b) Without limiting paragraph (a) above, each Obligor shall not (and shall ensure that no Group Company, nor any manager or charterer) employ any Collateral Vessel nor allow its employment, operation or management in any manner contrary to any law or regulation.
- (c) Each Obligor shall, and shall procure that each other Group Company and each Affiliate of any of them shall, comply in all respect with all Sanctions.

### 25.3 Sanctions

- (a) Each Obligor undertakes that it, and any Group Company or any Affiliate of any of them, or any director, officer, agent, employee or person acting on behalf of the foregoing, is not a Restricted Person and does not act directly or indirectly on behalf of a Restricted Person.
- (b) Each Obligor shall, and shall procure that each Group Company and each Affiliate of any of them shall, not use any revenue or benefit derived from any activity or dealing with a Restricted Person in discharging any obligation due or owing to the Finance Parties.
- (c) Each Obligor shall procure that no proceeds from any activity or dealing with a Restricted Person are credited to any bank account held with any Finance Party in its name or in the name of any Group Company or any Affiliate of any of them.
- (d) No Obligor, Group Company, Affiliate, nor any of their directors, officers or employees shall take any action, make any omission or use (directly or indirectly) any proceeds of the Loan, in a manner that is in breach of Sanctions, or causes (or will cause) a breach of Sanctions by any Finance Party.
- (e) Each Obligor shall, and shall procure that each Group Company shall, to the extent permitted by law promptly upon becoming aware of them supply to the Facility Agent details of any claim, action, suit, proceedings or investigation against it with respect to Sanctions by any Sanctions Authority.
- (f) Each Obligor shall not accept, obtain or receive any goods or services from any Restricted Person, except (without limiting Clause 25.2 (*Compliance with laws*)), to the extent relating to any warranties and/or guarantees given and/or liabilities incurred in respect of an activity or dealing with a Restricted Person by an Obligor in accordance with this Agreement.
- (g) Each Party acknowledges and agrees that the Obligors do not undertake under paragraphs (a) to (f) (inclusive) above in favour of any Lender incorporated or having its registered office in the Federal Republic of Germany and no such Lender shall have any right thereunder and shall be deemed not to be a party to the provisions of this Clause 25.3.

### 25.4 Use of Proceeds

The Obligors shall not, and shall procure that each Group Company and any Affiliate of any of them shall not, permit or authorise any other person to, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of the Facility or other transactions contemplated by this Agreement to fund or facilitate trade, business or other activities, nor to conduct, permit or allow any business activity related to the Collateral Vessels:

- (a) involving or for the benefit of any Restricted Person; or
- (b) in any other manner that could result in any Obligor or a Finance Party being in breach of any Sanctions or becoming a Restricted Person.

## 25.5 Title

Each Obligor will hold legal title to and own the entire beneficial interest in its assets that are subject to Security in favour of the Finance Parties, including, as applicable, its Operating Accounts, its Earnings, Insurances and each Collateral Vessel.

## 25.6 Taxation

- (a) Each Obligor shall (and shall procure that each Group Company ) pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:
- (i) such payment is being contested in good faith;
  - (i) adequate reserves are being maintained for those Taxes and the costs required to contest them which have been disclosed in its latest financial statements delivered under Clause 23.1 (*Financial statements*); and
  - (ii) such payment can be lawfully withheld and failure to pay those Taxes does not or is not reasonably likely to have a Material Adverse Effect.
- (b) None of the Obligors may and, to the extent it has or reasonably could be expected to have a Material Adverse Effect, no other Group Company may, change its residence for Tax purposes without the prior written consent from the Facility Agent (not to be unreasonably withheld).

## 25.7 Pari passu ranking

Each Obligor shall ensure that at all times any unsecured and unsubordinated claims of a Finance Party (including a Swap Provider) against it under the Finance Documents rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies.

## 25.8 Merger

No Obligor shall, without the prior written consent of the Facility Agent, enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction, save in case of mergers within the Group and an Obligor is the surviving entity and always subject to preserving a pledge over shares in favour of the Security Agent (on behalf of the Finance Parties) over one shipowning company per Collateral Vessel.

## 25.9 Listing

The Ultimate Parent shall remain listed at the Oslo Stock Exchange or such other recognised stock exchange approved by the Facility Agent.

## 25.10 Change of business

Except with the prior written consent of the Facility Agent:

- (a) the Borrowers shall not engage in any other business than that immediately related to the owning, financing, chartering and operation of the Collateral Vessels; and

- (b) the Obligors will not cease to carry on or make any material change in all or any part of its business and activities thereto as presently conducted, or carry on any other business, except for a similarly related business, or change the place of its jurisdiction or its organisation as presently conducted.

#### **25.11 Hedging arrangements**

- (a) The Swap Providers shall have a first right of refusal in relation to interest hedging relating to any Collateral Vessel or the Facility on competitive terms.
- (b) The Obligors shall not carry out derivative transactions for speculative purposes.

#### **25.12 Preservation of assets**

Each Obligor shall maintain and preserve all of its assets that are necessary or desirable, in the opinion of the Facility Agent, for the conduct of its business, as intended to be conducted at the date of this Agreement, in good working order and condition, ordinary wear and tear excepted.

#### **25.13 Financial Indebtedness restrictions**

- (a) The Borrowers shall not incur, create or permit to subsist any Financial Indebtedness.
- (b) Paragraph (a) above does not apply to Financial Indebtedness:
  - (i) incurred under the Finance Documents;
  - (ii) incurred under any loans from any Guarantor or any other Borrower, provided that any Guarantor's or, as the case may be, any of the other Borrowers' claims under such loans are subject to an Assignment of Intercompany Loan and fully subordinated to the claims of the Finance Parties under the Finance Documents; or
  - (iii) consented to in writing by the Lenders.

#### **25.14 Negative pledge**

- (a) The Borrowers shall not create or permit to subsist any Security over any of its assets and the shares in the Borrowers.
- (b) Paragraph (a) above does not apply to:
  - (i) the Security under the Security Documents;
  - (ii) in respect of any Collateral Vessel:
    - (A) any liens for current crews' wages and salvage;
    - (B) any ship repairer's or outfitter's possessory lien arising by operation of law and not exceeding USD 3,000,000; and
    - (C) any other liens incurred in the ordinary course of operating any Collateral Vessel not exceeding USD 3,000,000; and (iii) any Security consented to in writing by the Lenders.
  - (iii) any Security consented to in writing by the Lenders.



## 25.15 Sterna RCF

- (a) The Intermediate Parent shall procure that the Sterna RCF is amended to comply with the terms of this Agreement on terms satisfactory to the Facility Agent.
- (b) The Intermediate Parent may not make any payments to Sterna Finance Ltd. (or any party replacing Sterna Finance Ltd. as creditor) under the Sterna RCF or any other loans from Affiliates of the Ultimate Parent following the occurrence of an Event of Default or otherwise in breach of the Subordination Statement.
- (c) The Intermediate Parent shall procure that:
  - (i) until 12 months after the final Delivery Date of all the Initial Vessels and the Substitution Vessels, the credit under the Sterna RCF shall remain fully and unconditionally available in a total minimum amount of USD 270,000,000 including minimum USD 30,000,000 to be freely available as working capital support to the Group; and
  - (ii) thereafter, the freely and unconditionally available credit under the Sterna RCF may be reduced to USD 30,000,000, at terms acceptable to the Lenders.

## 25.16 Financial support

The Borrowers shall not make or grant any loans, guarantees or any other form of financial support, except financial support in the ordinary course of operation of the Collateral Vessels (it being understood however that intercompany loans, deposits or equity contributions within the Group ("**Intragroup Indebtedness**") shall be allowed, provided always that:

- (a) no Event of Default is in existence or will occur from such disposition;
- (b) after giving effect to such disposition, the Obligors will be in compliance with Clause 24 (*Financial Covenants*); and
- (c) the Intragroup Indebtedness obligations, shall pursuant to a separate undertaking between the relevant creditor and the Facility Agent rank behind and be fully subordinated to any obligations under the Finance Documents and any of the Borrowers' claims under such loans, if against any other Borrower or Affiliate, are subject to an Assignment of Intercompany Loan.

## 25.17 Distributions from the Ultimate Parent

- (a) Subject to the limitations listed in paragraph (b) below, the Ultimate Parent may:
  - (i) declare, make or pay any dividend, charge, fee or other distribution (whether in cash or in kind) on or in respect of its share capital (or any class of its share capital);
  - (ii) pay any interest or repay any principal amount (or capitalised interest) on any debt to any of its shareholders;
  - (iii) redeem, repurchase or repay any of its share capital or resolve to do so; or
  - (iv) enter into any transaction or arrangement having a similar effect as described in paragraphs (i) to (iii).

- (b) The distributions described in paragraph (a) above can only be carried out and effectuated if:
- (i) no Default is existing on the time when the distribution is to be made or would result from the making, payment or declaration of the distribution; and
  - (ii) such distributions are in aggregate limited to 50% of its accumulated and consolidated annual net profits as from 1 January 2018 calculated on the basis of the Ultimate Parent's audited consolidated financial statements made in accordance with IFRS; or
  - (iii) as otherwise consented to in writing by the Facility Agent.

#### **25.18 Investments**

No Borrower shall make any investments or acquisitions of vessels or companies, other than related to:

- (a) the acquisition of the Collateral Vessels;
- (b) ordinary and scheduled maintenance of the Collateral Vessels; and
- (c) any other maintenance of the Collateral Vessels required in order to be in compliance with the provisions under this Agreement, including, but not limited to, Clause 26.3 (*Class*).

#### **25.19 Disposals**

No Obligor shall enter into a single transaction or series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, transfer, or otherwise dispose of any of the Collateral Vessels or other asset being the subject of Security pursuant to the Security Documents, save for a sale of a Collateral Vessel in accordance with Clause 9.1 (*Disposal or Total Loss*).

#### **25.20 Financial year**

Except with the prior written consent of the Facility Agent, the Obligors will not, and shall procure that no other Group Company will, alter its financial year end from 31 December.

#### **25.21 Bank accounts**

The Borrowers shall open and maintain all its Operating Accounts with the Account Bank and ensure that all Earnings are paid to the Operating Accounts and the Borrowers may freely operate and make withdrawals from the Operating Accounts until the occurrence of a Default which is continuing.

#### **25.22 Arm's length basis**

No Obligor shall enter into any transaction with an Affiliate except on arm's length terms and for full market value.

## 25.23 EU Bail-in

In the event that any Finance Document will be governed by the laws of a non-EEA Member Country, then to the extent the Facility Agent determines it is necessary such Finance Document shall either prior to its entry, or if already in force be amended to, contain the current form of EU bail-in provisions recommended by the Loan Market Association.

## 26 VESSEL UNDERTAKINGS

Each Obligor gives the undertakings in this Clause 26 to each Finance Party and such undertakings shall remain in force for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

### 26.1 Vessel insurances

- (a) The Obligors shall keep the Collateral Vessels fully insured against such risks, including but not limited to, Hull and Machinery, Hull Interest and/or Freight Interest, War Risks (including acts of terrorism, war risks P&I and piracy) and Protection & Indemnity (including maximum cover for pollution liability as normally adopted by the industry for similar vessels), in such amounts and currencies, on such terms and with such reputable insurers, brokers or P&I clubs as the Facility Agent from time to time may approve. Norwegian Law to apply to all insurances other than P&I and freight, demurrage and defence (FD&D) insurances, and Hull and Machinery covers to include the terms of the Nordic Marine Insurance Plan of 2013, latest version (as amended from time to time).
- (b) The insured value of each Collateral Vessel shall be at least equal to or greater than the higher of (i) its Fair Market Value or (ii) 120% of the relevant Tranche and the aggregate insured value for all Collateral Vessels shall be at least equal to or greater than the higher of (i) the aggregate Fair Market Value for all Collateral Vessels or (ii) 120% of the Loans. The insured value for Hull and Machinery for each Collateral Vessel to cover at least 80 % of the Fair Market Value of that Collateral Vessel, (ii) the insured value for Hull and Machinery combined with the Hull Interest and Freight Interest and for War Risks for each Collateral Vessel shall always cover at least the Fair Market Value of that Collateral Vessel.
- (c) The Facility Agent (on behalf of the Finance Parties) will, for the cost of the Obligors, take out Mortgagee's Interest Insurance (MII) and Mortgagee Interest Additional Perils (pollution) on such terms and in such amounts as the Facility Agent shall deem appropriate up to 120% of the Loans.
- (d) The Borrowers shall procure that the Security Agent (on behalf of the Finance Parties) is noted as a first priority mortgagee in the insurance contracts, together with the confirmation from the underwriters to the Security Agent thereof that the notice of assignment with regard to the Insurances and the loss payable clauses are noted in the insurance contract and that standard letters of undertaking are executed by the insurers and/or broker(s), as applicable.

- (e) Within reasonable time (and no later than 7 days) prior to the expiry of the relevant Insurances, the Borrowers shall procure the delivery to the Facility Agent of a certificate from the insurance broker(s) through whom the Insurances referred to in paragraph (a) have been renewed and taken out in respect of the Collateral Vessels with insurance values as required by paragraphs (b), that such Insurances are in full force and effect and that the interests of the Security Agent (on behalf of the Finance Parties) have been noted by the relevant insurers.
- (f) If any of the Insurances referred to in paragraph (a), other than P&I or freight, demurrage and defence (FD&D) insurances, form part of a fleet cover, the Borrowers shall procure that the insurers shall undertake to the Security Agent that they shall neither set-off against any claims in respect of the Collateral Vessels any premiums due in respect of other units under such fleet cover or any premiums due for other insurances, nor cancel such Insurance for reason of non-payment of premiums for other units under such fleet cover or of premiums for such other Insurances.
- (g) The Borrowers shall ensure that each Collateral Vessel is always employed in conformity with the terms of the relevant insurances and comply with such requirements as to extra premium or otherwise as the insurers may prescribe.
- (h) The Borrowers will not make any material change to the Insurances without the prior written consent of the Facility Agent (on behalf of the Lenders).
- (i) Each of the Insurances shall be reviewed, at the cost of the Borrowers, by the Lenders' insurance advisor on an annual basis on each date on which the Insurances are due for renewal if so required by the Facility Agent. An insurance advisor will be appointed by the Facility Agent, at the Borrowers' cost, prior to each Drawdown Date, for the purpose of, inter alia, preparing an insurance report.

## 26.2 Notification

The Borrowers shall immediately notify the Facility Agent of:

- (a) any accident or casualty to any Collateral Vessel involving repairs the cost of which is likely to exceed USD 3,000,000 or the equivalent thereof in any other currency;
- (b) any occurrence in consequence whereof any Collateral Vessel has become or is likely to become a Total Loss;
- (c) any arrest or detention of any Collateral Vessel or the exercise or purported exercise of any lien on the Collateral Vessel;
- (d) any requirement or recommendation made in relation to any Collateral Vessel by any insurer or classification society or by any competent authority which is not, or cannot be, immediately complied with;
- (e) any claim for a material breach of the ISM Code, the ISPS Code or Marpol being made against any Borrower, any charterer or any Manager or otherwise in connection with any Collateral Vessel; or

- (f) any other matter, event or incident, actual or threatened, the effect of which will or could lead to the ISM Code, the ISPS Code or Marpol not being complied with,

and the Borrowers will keep the Facility Agent advised on a regular basis and in such detail as the Facility Agent shall require on the relevant party's response to any of the above mentioned events or matters.

### **26.3 Class**

- (a) The Borrowers shall have each Collateral Vessel classified and maintained in the highest appropriate class notation available for vessels of the same age and type with an Approved Classification Society, and at all times comply with the rules and regulations of the relevant classification society without any overdue recommendations and notations and shall immediately provide the Facility Agent with copies of any survey reports being issued.
- (b) The Borrowers may not change (or permit the change of) the classification society of any Collateral Vessel without the prior written consent of the Facility Agent unless to another Approved Classification Society.

### **26.4 Flag**

The Borrowers shall maintain the registration of each Collateral Vessel in the name of the applicable Borrower with an Approved Ship Registry, and shall not change the name, flag or registration of the Collateral Vessel or parallel register the Collateral Vessel in another Approved Ship Registry without the prior written consent of all Lenders, such consent not to be unreasonably withheld, always subject to the Borrowers providing the Facility Agent with security over the Collateral Vessel, in form and substance acceptable to the Facility Agent.

### **26.5 Inspection and class records**

- (a) The Borrowers shall permit, and shall procure that any charterers permit, any person appointed by the Facility Agent to inspect each Collateral Vessel at any time for the account of the Borrowers upon the Facility Agent giving prior written notice, always provided that such inspection shall not interfere with the normal operation and trading of the Collateral Vessel, provided however that following an Event of Default, the Facility Agent is entitled to do an inspection whether or not it interferes with the trading and operation of the Collateral Vessel.
- (b) The Borrowers shall instruct the classification society to send to the Facility Agent, following a written request from the Facility Agent, copies of all class records held by the classification society in relation to each Collateral Vessel.

### **26.6 Repairs and alterations**

The Borrowers shall not make or permit any change or structural alteration to be made to any Collateral Vessel with a total cost exceeding or likely to exceed USD 3,000,000 and will not remove any material part from any Collateral Vessel without replacing such parts with parts of equal value, unless otherwise agreed with the charterer and subject to the consent of the Facility Agent, such consent not to be unreasonably withheld.

## 26.7 Compliance with international regulations and laws

The Borrowers shall (and shall to its best abilities procure that any charterer and/or any Manager of any Collateral Vessel) at all times:

- (a) comply in all material respects with all international conventions and regulations relating to any Collateral Vessel, including:
  - (i) the ISM Code;
  - (ii) the ISPS Code; and
  - (iii) Marpol;
- (b) comply in all material respects with any applicable national or international law, regulation, convention or treaty in a jurisdiction which an Obligor conducts business or any Collateral Vessel will be operating, including such law, regulation, convention or treaty which relates to the pollution or damage of the environment or the conditions at the workplace;
- (c) comply in all material respects with any applicable law, regulation or requirement in the jurisdiction of the Approved Ship Registry where any Collateral Vessel is registered;
- (d) comply in all respects with all Environmental Laws applicable to any of them or any Collateral Vessel, including without limitation, requirements relating to manning and establishment of financial responsibility and to obtain and comply with all Environmental Approvals applicable to any of them and/or any of the Collateral Vessels;
- (e) in the event of hostilities in any part of the world (whether war is declared or not), not employ any Collateral Vessel in any zone which is declared a war zone by any government or by the war risk insurers of the Collateral Vessel, unless the Borrowers has (at their own expense) effected any special, additional or modified insurance cover which shall be necessary or customary for first class shipowners, and has provided evidence of such cover to the Facility Agent; and
- (f) obtain, maintain and ensure compliance with all requisite licenses, certificates, approvals and permits required under any such laws, rules and regulations at all times valid and enforceable in all respects, including:
  - (i) the Document of Compliance and Safety Management Certificate issued pursuant to the ISM Code in relation to each Collateral Vessel; and
  - (ii) a valid and current International Ship Security Certificate issued under the ISPS Code.

## 26.8 Maintenance

The Borrowers shall procure that each Collateral Vessel is kept in good and safe condition and state of repair consistent with first class ownership and management practice.

## 26.9 Dismantling

- (a) The Obligors shall procure a safe sustainable and socially and environmentally responsible dismantling of any of their vessels that is taken out of service.
- (b) Each Borrower shall procure that the Collateral Vessel owned by it has, from the Delivery Date of that Collateral Vessel, obtained an Inventory of Hazardous Material (IHM), in respect of the relevant Collateral Vessel owned by it, which shall be maintained and available throughout the lifespan of that Collateral Vessel.
- (c) Each Obligor confirms that as long as it is in a lending relationship with a Finance Party, it will ensure that any Collateral Vessel controlled by it or sold to a intermediary with the intention of being scrapped, is recycled at a recycling yard which conducts its recycling business in a socially and environmentally responsible manner, in accordance with the provisions of The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009 and/or EU Ship Recycling Regulation of 20 November, 2013.

## 26.10 Arrest

The Borrowers shall pay and discharge when due:

- (a) all liabilities which give rise or may give rise to maritime or possessory liens on or claims enforceable against any Collateral Vessel, its Earnings or Insurances;
- (b) all tolls, taxes, dues, fines, penalties and other amounts charged in respect of each Collateral Vessel, its Earnings or Insurances; and
- (c) all other outgoings whatsoever in respect of any Collateral Vessel, its Earnings and Insurances,
- (d) and upon receiving notice of arrest of any Collateral Vessel, or its detention or purported exercise of any lien or claim, the Borrowers shall procure its release by providing bail or Security or otherwise as the circumstances may require.

## 26.11 Fair Market Value

- (a) The Borrowers shall ensure that the aggregate Fair Market Value of the Collateral Vessels that have been delivered from the Yard is:
  - (i) from the first Drawdown Date and at all times until the second anniversary thereof, in excess of 130%;
  - (ii) from the second anniversary of the first Drawdown Date and until the fourth anniversary thereof, in excess of 135%; and
  - (iii) thereafter; in excess of 140%,of the aggregate outstanding Loans.

- (b) If any of the Collateral Vessels are employed under a charter contract, on terms and with a reputable third party charterer acceptable to the Facility Agent, with a term extending beyond the Final Maturity Date, then the Fair Market Value requirement in respect of that Collateral Vessel shall be 120% of the related Tranche from commencement of that charter and until its expiry.
- (c) The Borrowers shall, if the Fair Market Value of the Collateral Vessels at any time falls below the values described in paragraph (a) and (b) above, within thirty (30) days after the Facility Agent's notice thereof, post additional Security to the satisfaction of the Facility Agent, or, if failing to provide such additional Security, within ten (10) days thereafter prepay such portion of the Loans in accordance with Clause 8.1 (*Voluntary prepayment*), that enables the Borrowers to satisfy the minimum value requirement.

## **26.12 Management**

- (a) Each Collateral Vessel shall be managed by any Manager pursuant to the terms of the Management Agreement(s) or such other reputable manager(s) as agreed in writing by the Facility Agent, and the Borrowers shall not make any material changes to the management of any Collateral Vessel without the prior written consent of the Facility Agent (not to be unreasonably withheld).
- (b) The Borrowers shall procure that each Manager issues a subordination statement, in form and substance acceptable to the Facility Agent, whereupon each Manager fully subordinates its claims under the Management Agreements in respect of the Collateral Vessels to the claims of the Finance Parties under the Finance Documents.

## **26.13 Restrictions on chartering etc.**

- (a) The Borrowers shall not let a Collateral Vessel on bareboat charter for any period without the prior written consent of the Facility Agent, unless such bareboat charter is to a Group Company and on arm's length terms but at a rate no less than an amount sufficient for the Borrowers to meet its payments obligations under the Finance Documents as they fall due.
- (b) Any charterparties in respect of a Collateral Vessel with a term exceeding twelve (12) months shall always be entered into directly between the relevant Borrower and the third party charterer.

## **27 EVENTS OF DEFAULT**

Each of the events or circumstances set out in this Clause 27 is an Event of Default (save for Clause 27.16 (*Acceleration*)).

### **27.1 Non-payment**

Any Obligor does not pay on the due date any amount payable pursuant to a Finance Document at the place and in the currency in which it is expressed to be payable unless:

- (a) its failure to pay is caused by:
  - (i) an administrative or technical error; or
  - (ii) a Disruption Event; and



- (b) payment is made within three (3) Business Days of its due date.

## **27.2 Financial covenants, Sanctions, Use of Proceeds, Title, Negative pledge, Distributions from the Ultimate Parent, Vessel Insurances and Fair Market Value**

Any requirement of Clause 24 (*Financial covenants*), Clause 25.2 (c) (*Compliance with laws*), Clause 25.3 (*Sanctions*), Clause 25.4 (*Use of Proceeds*), Clause 25.5 (*Title*), Clause 25.14 (*Negative pledge*), Clause 25.17 (*Distributions from the Ultimate Parent*), Clause 26.1 (*Vessel Insurances*) or Clause 26.11 (*Fair Market Value*) is not satisfied.

## **27.3 Other obligations**

- (a) Any Obligor does not comply with any provision of the Finance Documents (other than those referred to in Clause 27.2 (Financial covenants, Sanctions, Use of Proceeds, Title, Negative pledge, Distributions from the Ultimate Parent, Vessel Insurances and Fair Market Value)).
- (b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within five (5) Business Days of the earlier of (i) the Facility Agent giving notice to the Borrowers and (ii) any Obligor became or should have become aware of the failure to comply.

## **27.4 Misrepresentation**

Any representation or statement made or deemed to be made by any Obligor in the Finance Documents or any other document delivered by or on behalf of the Obligors or in connection with any Finance Document is or proves to have been materially incorrect or misleading when made or deemed to be made.

## **27.5 Cross default**

- (a) Any Financial Indebtedness of any Obligor or any Group Company is not paid when due nor within any originally applicable grace period.
- (b) Any Financial Indebtedness of any Obligor or any Group Company 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).
- (c) Any commitment for any Financial Indebtedness of any Obligor or any Group Company is cancelled or suspended by a creditor of any Obligor or any Group Company as a result of an event of default (however described).
- (d) Any creditor of any Obligor or any Group Company becomes entitled to declare any Financial Indebtedness of any Obligor or any Group Company due and payable prior to its specified maturity as a result of an event of default (however described).
- (e) No Event of Default will occur under this Clause 27.5 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than USD 8,000,000 (or its equivalent in any other currency or currencies).

For the purpose of this Clause 27.5 (*Cross default*), "Financial Indebtedness" shall only include lease and charter contracts to the extent these would be considered a "financial lease" or "Financial Indebtedness" pursuant to IAS 17, irrespective of IFRS 16 later becoming effective.

## **27.6 Insolvency**

- (a) Any of the Obligors or any Group Company is, or for the purpose of applicable law is deemed to be, unable to pay its debts as they fall due or becomes insolvent or admits inability or intention not to pay its debts as they fall due.
- (b) Any of the Obligors or any Group Company suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (c) A moratorium is declared in respect of any indebtedness of any Obligor or any Group Company.

## **27.7 Insolvency proceedings**

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (a) the preliminary suspension of payments, suspension of payments, bankruptcy, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any of the Obligors or any Group Company;
- (b) a composition, compromise, assignment or arrangement with any creditor of any of the Obligors or any Group Company;
- (c) the appointment of a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of any of the Obligors or any Group Company or any of its assets; or
- (d) enforcement of any Security over any assets of any of the Obligors or any Group Company.

## **27.8 Creditors' process**

Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of any Obligor or any Group Company unless, within 30 days after the Obligor became aware of the same, (i) the same is discharged or (ii) the Finance Parties have been provided with additional security in such form and for such amounts as the Finance Parties may require.

## **27.9 Unlawfulness and invalidity**

It is or becomes unlawful for any Obligor and/or any of the parties to a Security Document to perform any of their obligations under the Finance Documents or any Finance Document ceases to be in full force and effect or any Security under the Security Documents ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to it (other than a Finance Party) to be ineffective.

## **27.10 Liens**

Any maritime lien or other lien, arrest, distress or similar charge is levied upon or against any Collateral Vessel and, within ten (10) Business Days after any Obligor became aware of the same:

- (a) is not discharged; or
- (b) the Finance Parties have been provided with additional security in such form and for such amounts as the Finance Parties may require.

**27.11 Cessation of business**

Any Obligor ceases (or threatens to cease to carry on) all its business.

**27.12 Permits**

Any license, consent, permission or approval required in order to enforce, complete or perform any of the Finance Documents is revoked, terminated or modified having a Material Adverse Effect.

**27.13 Failure to comply with final judgement**

Any Obligor fails to, within five (5) Business Days after becoming obliged to do so, comply with or pay any sum due from it under any final judgement or final order, unless such award is for an amount less than USD 8,000,000 or the sum due is covered by insurance and the insurers have confirmed cover and liability to pay under the relevant insurance.

**27.14 Litigation**

There is current, pending or, threatened in writing any claims, litigation, arbitration or administrative proceedings against an Obligor or its assets which might have a Material Adverse Effect.

**27.15 Material adverse change**

Any event or circumstance occurs which, in the opinion of the Majority Lenders has had or could reasonably be expected to have a Material Adverse Effect.

**27.16 Acceleration**

On and at any time after the occurrence of an Event of Default which is continuing the Facility Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrowers:

- (a) cancel the Commitments at which time they shall immediately be cancelled;
- (b) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Agreement, be immediately due and payable, at which time they shall become immediately due and payable;
- (c) enforce any or all Security under the Security Documents; and/or
- (d) exercise any or all of the rights, remedies, powers or discretions granted to the Facility Agent or the Finance Parties under the Finance Documents or by any applicable law or regulation or otherwise as a consequence of such Event of Default.

**SECTION 9**

**CHANGES TO PARTIES**

**28 CHANGES TO THE LENDERS**

## 28.1 Assignments and transfers by the Lenders

Subject to this Clause 28, a Lender (the "**Existing Lender**") may:

- (a) assign any of its rights; or
- (b) transfer by novation any of its rights and obligations,

under any Finance Document to another bank or financial institution, a trust, fund or other entity that is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the "**New Lender**").

## 28.2 Conditions of assignment or transfer

- (a) An Existing Lender may not transfer any of its rights or obligations to a New Lender without the Ultimate Parent's consent, such consent not to be unreasonably withheld or delayed and not to be required if the transfer is:
  - (i) to another Lender or an Affiliate of a Lender or another bank or financial institution and of a minimum amount of USD 10,000,000;
  - (ii) to another bank or financial institution, a trust, fund or other entity that has an exposure in the shipping sector;
  - (iii) to a trust, fund or other entity that is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets, which is advised by, or the assets of which are managed by or serviced by a Lender; or
  - (iv) made at a time when an Event of Default has occurred and is continuing.
- (b) The Ultimate Parent shall be deemed to have given its consent if the Ultimate Parent has not expressly rejected any proposal within five (5) Business Days from the request of an Existing Lender.
- (c) An assignment will only be effective on the performance by the Facility Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to such assignment to a New Lender, the completion of which the Facility Agent shall promptly notify to the Existing Lender and the New Lender.
- (d) A transfer will only be effective if the procedure set out in Clause 28.5 (*Procedure for transfer*) is complied with.
- (e) Shareholders or Affiliates of any Obligor or Group Member may not become a Lender.

## 28.3 Assignment or transfer fee

Unless the Facility Agent otherwise agrees and excluding an assignment or transfer to an Affiliate of a Lender, the New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Facility Agent (for its own account) a fee of USD 5000.

## 28.4 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
  - (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents and the Security under the Security Documents or any other documents;
  - (ii) the financial condition of any Obligor;
  - (iii) the performance and observance by any Obligor or any other Group Company of its obligations under the Finance Documents or any other documents; or
  - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,and any representations or warranties implied by law are excluded.
- (b) Each New Lender confirms to the Existing Lender and the other Finance Parties that it:
  - (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of any Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender or any other Finance Party in connection with any Finance Document; and
  - (ii) will continue to make its own independent appraisal of the creditworthiness of any Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- (c) Nothing in any Finance Document obliges an Existing Lender to:
  - (i) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause 28; or
  - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by an Obligor of its obligations under the Finance Documents or otherwise.

## 28.5 Procedure for transfer

- (a) Subject to the conditions set out in Clause 28.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with paragraph (c) below when the Facility Agent executes a duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Facility Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.
- (b) The Facility Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or similar checks under all applicable laws and regulations in relation to the transfer to such New Lender.
- (c) On the Transfer Date:
  - (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents, each Obligor and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and their respective rights against one another under the Finance Documents shall be cancelled (being the "**Discharged Rights and Obligations**");
  - (ii) each Obligor and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as the Obligors and the New Lender have assumed and/or acquired the same in place of the Obligors and the Existing Lender;
  - (iii) the Facility Agent, the Arrangers, the New Lender and the other Lenders shall acquire the same rights and assume the same obligations between themselves and in respect of the Finance Documents as they would have acquired and assumed had the New Lender been an Original Lender with the rights, and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Facility Agent, the Arrangers and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and
  - (iv) the New Lender shall become a Party as a "Lender".

## 28.6 Copy of Transfer Certificate

The Facility Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, send to the Ultimate Parent a copy of that Transfer Certificate.

## 28.7 Security over Lender's rights

Notwithstanding Clause 28.1 (*Assignments and transfers by the Lenders*), a Lender may at any time sell, transfer, assign, novate, pledge, have assumed all or part of its rights and/or otherwise use as collateral any of its rights under the Finance Documents to or for the benefit of a member of the European System of Central Banks.

## 29 CHANGES TO THE OBLIGORS

No Obligor may assign any of its rights or transfer any of its rights or obligations under the Finance Documents.

### SECTION 10

#### THE FINANCE PARTIES

## 30 ROLE OF THE FACILITY AGENT, SECURITY AGENT, THE ARRANGERS AND OTHERS

### 30.1 Appointment of the Facility Agent and Security Agent

- (a) Each Finance Party appoints the Facility Agent to act as its agent and the Security Agent to act as security agent under and in connection with the Finance Documents.
- (b) Each Finance Party authorises each of the Facility Agent and the Security Agent to exercise the rights, powers, authorities and discretions specifically given to the Facility Agent and the Security Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

### 30.2 Duties of the Facility Agent and Security Agent

- (a) Subject to paragraph (b) below, each of the Facility Agent and the Security Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Facility Agent or the Security Agent for that Party by any other Party.
- (b) Without prejudice to Clause 28.6 (*Copy of Transfer Certificate*), paragraph (a) above shall not apply to any Transfer Certificate.
- (c) Except where a Finance Document specifically provides otherwise, neither the Facility Agent nor the Security Agent is obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (d) If the Facility Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.
- (e) If the Facility Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than the Facility Agent or the Arrangers) under this Agreement it shall promptly notify the other Finance Parties.
- (f) The Facility Agent shall provide to the Borrowers at its request, a list (which may be in electronic form) setting out the names of the Lenders as at the date of that request, their respective Commitments and contact details.
- (g) The Facility Agent's and the Security Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

- (h) The Facility Agent shall have only those duties, obligations and responsibilities expressly specified in the Finance Documents to which it is expressed to be a party (and no others shall be implied).

### **30.3 Role of the Arrangers**

Except as specifically provided in the Finance Documents, the Arrangers have no obligations of any kind to any other Party under or in connection with any Finance Document.

### **30.4 Limited fiduciary duties**

- (a) Save as provided in paragraphs (b) and (c) below, nothing in this Agreement constitutes the Facility Agent, the Security Agent, and/or the Arrangers as a trustee or fiduciary of any other person.
- (b) None of the Facility Agent, the Security Agent or the Arrangers shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.
- (c) The Security Agent will act solely as trustee for the Finance Parties in carrying out its functions under the Security Documents and this Agreement and will exercise the same care as it would in dealing with a credit for its own account.

### **30.5 Business with the Group**

Each Finance Party may accept deposits from, lend money to and generally engage in any kind of banking or other business with any Group Company.

### **30.6 Rights and discretions**

- (a) The Facility Agent and the Security Agent may:
  - (i) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised;
  - (ii) assume that:
    - (A) any instructions received by it from the Majority Lenders, any Lenders or any group of Lenders are duly given in accordance with the terms of the Finance Documents; and
    - (B) unless it has received notice of revocation, that those instructions have not been revoked; and
  - (iii) rely on a certificate from any person:
    - (A) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or
    - (B) to the effect that such person approves of any particular dealing, transaction, step, action or thing, as sufficient evidence that that is the case and, in the case of paragraph (A) above, may assume the truth and accuracy of that certificate.



- (b) The Facility Agent and the Security Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:
  - (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 27.1 (*Non-payment*));
  - (ii) any right, power, authority or discretion vested in any Party or any group of Lenders has not been exercised;
  - (iii) any notice or request made by the Ultimate Parent (other than a Drawdown Request or Selection Notice) is made on behalf of and with the consent and knowledge of all the Obligor(s);.
- (c) The Facility Agent and the Security Agent may engage and pay for the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts.
- (d) Without prejudice to the generality of paragraph (c) above or paragraph (e) below, each of the Facility Agent and the Security Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Facility Agent and/or the Security Agent (and so separate from any lawyers instructed by the Lenders) if the Facility Agent and/or the Security Agent in its reasonable opinion deems this to be desirable.
- (e) The Facility Agent and the Security Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Facility Agent or by any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.
- (f) The Facility Agent and the Security Agent may act in relation to the Finance Documents through its officers, employees and agents and the Facility Agent shall not:
  - (i) be liable for any error of judgment made by any such person; or
  - (ii) be bound to supervise, or be in any way responsible for, any loss incurred by reason of misconduct, omission or default on the part of any such person, unless such error or such loss was directly caused by the Facility Agent's and/or Security Agent's gross negligence or wilful misconduct.
- (g) Unless a Finance Document expressly provides otherwise the Facility Agent and the Security Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- (h) Without prejudice to the generality of paragraph (g) above, the Facility Agent and the Security Agent:
  - (i) may disclose; and

- (ii) on the written request of the Ultimate Parent or the Majority Lenders shall, as soon as reasonably practicable, disclose, the identity of a Defaulting Lender to the Ultimate Parent and to the other Finance Parties.
- (i) Notwithstanding any other provision of any Finance Document to the contrary, none of the Facility Agent, the Security Agent or the Arrangers is 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 or a breach of a fiduciary duty or duty of confidentiality.
- (j) The Agent may not disclose to any Finance Party any details of the rate notified to the Agent by any Lender or the identity of any such Lender for the purpose of paragraph (a)(ii) of Clause 13.2 (*Market disruption*).
- (k) Notwithstanding any provision of any Finance Document to the contrary, the Facility Agent and the Security Agent are not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

### **30.7 Majority Lenders' instructions**

- (a) Unless a contrary indication appears in a Finance Document, the Facility Agent and the Security Agent shall (i) exercise any right, power, authority or discretion vested in it as Facility Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Facility Agent or the Security Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) in accordance with an instruction of the Majority Lenders.
- (b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.
- (c) The Facility Agent and the Security Agent may refrain from acting in accordance with the instructions of the Majority Lenders (or, if appropriate, the Lenders) until it has received such security as it may require for any cost, loss or liability (together with any associated VAT) which it may incur in complying with the instructions.
- (d) In the absence of instructions from the Majority Lenders, (or, if appropriate, the Lenders) the Facility Agent and the Security Agent may act (or refrain from taking action) as it considers to be in the best interest of the Lenders.
- (e) The Facility Agent and the Security Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document. This paragraph (e) shall not apply to any legal or arbitration proceeding relating to the perfection, preservation or protection of rights under the Security Documents or enforcement of the Security or Security Documents.

### 30.8 Responsibility for documentation

None of the Facility Agent, Security Agent or the Arrangers is responsible for:

- (a) the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Facility Agent, the Security Agent, the Arrangers, the Borrowers or any other person given in or in connection with any Finance Document or the transactions contemplated in the Finance Documents;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or the Security under any Security Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document or the Security under any Security Document;
- (c) any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

### 30.9 Exclusion of liability

- (a) Without limiting paragraph (b) below (and without prejudice to any other provision of any Finance Document excluding or limiting the liability of the Facility Agent and the Security Agent, none of the Facility Agent nor the Security Agent will be liable (including, without limitation, for negligence or any other category of liability whatsoever) for:
  - (i) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Finance Document or the Security created by the Security Documents, unless directly caused by its gross negligence or wilful misconduct;
  - (ii) exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Finance Document, the Security Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document or the Security pursuant to the Security Documents; or
  - (iii) without prejudice to the generality of paragraphs (i) and (ii) above, any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of:
    - (A) any act, event or circumstance not reasonably within its control; or
    - (B) the general risks of investment in, or the holding of assets in, any jurisdiction,

including (in each case and without limitation) such damages, costs, losses, diminution in value or liability arising as a result of: nationalisation, expropriation or other governmental actions; any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets (including any Disruption Event); breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action.

- (b) No Party (other than the Facility Agent or the Security Agent (as applicable)) may take any proceedings against any officer, employee or agent of the Facility Agent or the Security Agent, in respect of any claim it might have against the Facility Agent or the Security Agent, or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document or any Transaction Document and any officer, employee or agent of the Facility Agent or the Security Agent may rely on this Clause 30.9.
- (c) The Facility Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Facility Agent if the Facility Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Facility Agent for that purpose.
- (d) Nothing in this Agreement shall oblige the Facility Agent or the Arranger to carry out:
  - (i) any "know your customer" or other checks in relation to any person; or
  - (ii) any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Lender or for any Affiliate of any Lender,

on behalf of any Lender and each Lender confirms to the Agent and the Arranger that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Agent or the Arranger.

- (e) Without prejudice to any provision of any Finance Document excluding or limiting the Facility Agent's liability, any liability of the Facility Agent arising under or in connection with any Finance Document or the Security created pursuant to the Security Documents shall be limited to the amount of actual loss which has been finally judicially determined to have been suffered (as determined by reference to the date of default of the Facility Agent or, if later, the date on which the loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Facility Agent at any time which increase the amount of that loss. In no event shall the Facility Agent be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Facility Agent has been advised of the possibility of such loss or damages.

### **30.10 Lenders' indemnity to the Facility Agent and Security Agent**

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Facility Agent and the Security Agent, within three (3) Business Days of demand, against any cost, loss or liability incurred by the Facility Agent or the Security Agent (otherwise than by reason of the Facility Agent's or the Security Agent's gross negligence or wilful misconduct) in acting as Facility Agent or Security Agent under the Finance Documents (unless the Facility Agent or the Security Agent has been reimbursed by the Borrowers pursuant to a Finance Document).

### **30.11 Resignation of the Facility Agent or Security Agent**

- (a) The Facility Agent or the Security Agent may resign and appoint one of its Affiliates as successor by giving notice to the Lenders and the Borrower.
- (b) Alternatively, the Facility Agent or the Security Agent may resign by giving 30 days' notice to the Lenders and the Ultimate Parent, in which case the Majority Lenders (after consultation with the Ultimate Parent) may appoint a successor Facility Agent or Security Agent.
- (c) If the Majority Lenders have not appointed a successor Facility Agent or Security Agent in accordance with paragraph (b) above within 20 days after notice of resignation was given, the retiring Facility Agent or Security Agent (after consultation with the Ultimate Parent) may appoint a successor Facility Agent or Security Agent.

- (d) If the Facility Agent or Security Agent wishes to resign because (acting reasonably) it has concluded that it is no longer appropriate for it to remain as facility agent or security agent and the Facility Agent or the Security Agent is entitled to appoint a successor Facility Agent or Security Agent under paragraph (c) above, the Facility Agent or Security Agent, as the case may be, may (if it concludes (acting reasonably) that it is necessary to do so in order to persuade the proposed successor Facility Agent or Security Agent, as the case may be, to become a party to this Agreement as Facility Agent or Security Agent, as the case may be) agree with the proposed successor Facility Agent or Security Agent, as the case may be, amendments to this Clause 30 and any other term of this Agreement dealing with the rights or obligations of the Facility Agent or Security Agent, as the case may be, consistent with then current market practice for the appointment and protection of corporate trustees together with any reasonable amendments to the agency fee payable under this Agreement which are consistent with the successor Facility Agent's or Security Agent's, as the case may, be normal fee rates and those amendments will bind the Parties.
- (e) The retiring Facility Agent or Security Agent shall, at its own cost, make available to the successor Facility Agent or Security Agent such documents and records and provide such assistance as the successor Facility Agent or Security Agent may reasonably request for the purposes of performing its functions as Facility Agent or Security Agent under the Finance Documents.
- (f) The Facility Agent's or Security Agent's resignation notice shall only take effect upon the appointment of a successor.
- (g) Upon the appointment of a successor, the retiring Facility Agent or Security Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 30. Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (h) The Facility Agent or Security Agent shall resign in accordance with paragraph (b) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Facility Agent or Security Agent pursuant to paragraph (c) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Facility Agent or Security Agent under the Finance Documents, either:
  - (i) the Facility Agent or Security Agent fails to respond to a request under Clause 15.6 (*FATCA Information*) and a Lender reasonably believes that the Facility Agent or Security Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;
  - (ii) the information supplied by the Facility Agent or Security Agent pursuant to Clause 15.6 (*FATCA Information*) indicates that the Facility Agent or Security Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or

- (iii) the Facility Agent or Security Agent notifies the Borrowers and the Lenders that the Facility Agent or Security Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) a Lender believes that a Party may be required to make a FATCA Deduction that would not be required if the Facility Agent or Security Agent were a FATCA Exempt Party, and that Lender, by notice to the Facility Agent or Security Agent, requires it to resign.

### **30.12 Replacement of the Facility Agent or Security Agent**

- (a) After consultation with the Ultimate Parent, the Majority Lenders may, by giving 30 days' notice to the Facility Agent or Security Agent, replace the Facility Agent or Security Agent by appointing a successor Facility Agent or Security Agent.
- (b) The retiring Facility Agent or Security Agent shall make available to the successor Facility Agent or Security Agent such documents and records and provide such assistance as the successor Facility Agent or Security Agent may reasonably request for the purposes of performing its functions as Facility Agent or Security Agent under the Finance Documents.
- (c) The appointment of the successor Facility Agent or Security Agent shall take effect on the date specified in the notice from the Majority Lenders to the retiring Facility Agent or Security Agent. As from this date, the retiring Facility Agent or Security Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 30 (and any agency fees for the account of the retiring Facility Agent or Security Agent shall cease to accrue from (and shall be payable on) that date).
- (d) Any successor Facility Agent or Security Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

### **30.13 Relationship with the Lenders**

- (a) The Facility Agent and Security Agent may treat each Lender as a Lender, inter alia entitled to or liable for any payment due under any Finance Document, unless it has received not less than five (5) Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.
- (b) Each Lender shall supply the Facility Agent or Security Agent with any information that the Facility Agent or Security Agent may reasonably specify as being necessary or desirable to enable the Facility Agent or Security Agent to perform its functions as Facility Agent or Security Agent.
- (c) Any Lender may by notice to the Facility Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the relevant contact details required to enable the sending and receipt of information.

### **30.14 Confidentiality**

- (a) In acting as agent for the Finance Parties, the Facility Agent and the Security Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.
- (b) If information is received by another division or department of the Facility Agent or the Security Agent, it may be treated as confidential to that division or department and the Facility Agent or Security Agent shall not be deemed to have notice of it.
- (c) Notwithstanding any other provision of any Finance Document to the contrary, neither the Facility Agent, the Security Agent nor any Arranger is obliged to disclose to any other person (i) any confidential information or (ii) any other information if the disclosure would or might in its reasonable opinion constitute a breach of any law or a breach of a fiduciary duty.
- (d) Notwithstanding any other provision of any Finance Document to the contrary, any Finance Party may disclose to any Finance Party and /or its Affiliates and potential assignees, any information it has received from any Obligor or concerning any Obligor (including information of confidential nature or described as confidential by an Obligor) which:
  - (i) the Finance Party becomes aware of in its capacity as, or for the purpose of becoming, a Finance Party under the Finance Documents;
  - (ii) is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents; or
  - (iii) provided that the Finance Party reasonably believes such information is of relevance to the other Finance Parties in their capacity as Finance Parties under the Finance Documents.

### **30.15 Credit appraisal by the Lenders**

Without affecting the responsibility of the Obligors for information supplied by any of them or on their behalf, each Lender confirms to the Facility Agent, the Security Agent and the Arrangers that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document.

### **30.16 Reference Banks**

If a Reference Bank ceases to be a Lender, the Facility Agent shall (in consultation with the Borrower) appoint another Lender to replace that Reference Bank.

### **30.17 Role of Reference Banks**

- (a) No Reference Bank is under any obligation to provide a quotation or any other information to the Facility Agent.
- (b) No Reference Bank will be liable for any action taken by it under or in connection with any Finance Document, or for any Reference Bank Quotation, unless directly caused by its gross negligence or wilful misconduct.



- (c) No Party (other than the relevant Reference Bank) may take any proceedings against any officer, employee or agent of any Reference Bank in respect of any claim it might have against that Reference Bank or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document, or to any Reference Bank Quotation, and any officer, employee or agent of each Reference Bank may rely on this Clause 30.17.

### **30.18 Confidentiality of Reference Bank Quotations**

- (a) The Facility Agent agrees to keep each Reference Bank Quotation confidential and not to disclose it to anyone, save to the extent permitted by paragraphs (b) and (c) below.
- (b) The Facility Agent may disclose any Reference Bank Quotation to any person appointed by it to provide administration services in respect of one or more of the Finance Documents to the extent necessary to enable such service provider to provide those services if the service provider to whom that information is to be given has entered into a confidentiality agreement as agreed between the Facility Agent and the relevant Reference Bank.
- (c) The Facility Agent may disclose any Reference Bank Quotation to:
  - (i) any of its Affiliates and any of its or their officers, directors, employees, professional advisers, auditors, partners and representatives if any person to whom that Reference Bank Quotation is to be given pursuant to this paragraph (i) is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of that Reference Bank Quotation or is otherwise bound by requirements of confidentiality in relation to it;
  - (ii) any person to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation if the person to whom that Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Facility Agent, it is not practicable to do so in the circumstances;
  - (iii) any person to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes if the person to whom that Reference Bank Quotation is to be given is informed in writing of its confidential nature and that it may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of the Facility Agent, it is not practicable to do so in the circumstances; and
  - (iv) any person with the consent of the relevant Reference Bank.

- (d) The Facility Agent acknowledge that each Reference Bank Quotation is or may be price-sensitive information and that its use may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and the Facility Agent undertake not to use any Reference Bank Quotation for any unlawful purpose.
- (e) The Facility Agent agrees (to the extent permitted by law and regulation) to inform the relevant Reference Bank:
  - (i) of the circumstances of any disclosure made pursuant to paragraph (c) (ii) above except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and
  - (ii) upon becoming aware that any information has been disclosed in breach of this Clause 30.18.

### **30.19 Swap Providers**

- (a) Each Swap Provider agrees that it is a party to this Agreement solely for the purpose of the Obligors' obligations under the Hedging Agreements being included under the Security created by the Security Documents.
- (b) Any Hedging Agreement shall only enjoy the benefit of protection of the Security Documents if and to the extent such Hedging Agreement (and any transactions thereunder) is entered into in accordance with Clause 25.11 (*Hedging arrangements*).
- (c) Clause 2.3 (*Finance Parties' rights and obligations*) shall not apply to any Finance Party (in its capacity as Swap Provider) in respect of the Security Documents and no Swap Provider may separately enforce any rights under the Security Documents.
- (d) Each Swap Provider shall promptly notify the Facility Agent upon the occurrence of an early termination event or a default by any Obligor of its obligations under a Hedging Agreement.

### **30.20 Facility Agent's and Security Agent's Management Time**

Any amount payable to the Facility Agent and the Security Agent under Clause 17.3 (*Indemnity to the Facility Agent and the Security Agent*), Clause 19 (*Costs and expenses*) and Clause 30.10 (*Lenders' indemnity to the Facility Agent and the Security Agent*) shall include the cost of utilising the Facility Agent's and the Security Agent's management time or other resources to the extent that this relates to extraordinary matters, such as requests for waivers or amendments and/or a potential Default or Event of Default, and will be calculated on the basis of such reasonable daily or hourly rates as the Facility Agent and the Security Agent may notify to the Ultimate Parent and the Lenders, and is in addition to any fee paid or payable to the Facility Agent and the Security Agent under Clause 14 (*Fees*).

### 30.21 Deduction from amounts payable by the Facility Agent or Security Agent

If any Party owes an amount to the Facility Agent under the Finance Documents the Facility Agent and the Security Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Facility Agent and the Security Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

## 31 SHARING AMONG THE FINANCE PARTIES

### 31.1 Payments to Finance Parties

If a Finance Party (a "**Recovering Finance Party**") receives or recovers any amount from any Obligor other than in accordance with Clause 32 (*Payment mechanics*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three (3) Business Days, notify details of the receipt or recovery, to the Facility Agent;
- (b) the Facility Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Facility Agent and distributed in accordance with Clause 32 (*Payment mechanics*), without taking account of any Tax which would be imposed on the Facility Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within three (3) Business Days of demand by the Facility Agent, pay to the Facility Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Facility Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 32.4 (*Partial payments*).

### 31.2 Redistribution of payments

The Facility Agent shall treat the Sharing Payment as if it had been paid by any of the Obligors and distribute it between the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 32.4 (*Partial payments*).

### 31.3 Recovering Finance Party's rights

On a distribution by the Facility Agent under Clause 31.2 (*Redistribution of payments*) of a payment received by a Recovering Finance Party from an Obligor, as between that Obligor and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by that Obligor.

### 31.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Sharing Finance Party shall, upon request of the Facility Agent, pay to the Facility Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the "**Redistributed Amount**"); and
- (b) as between an Obligor and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by that Obligor.

### **31.5 Exceptions**

- (a) This Clause 31 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the Obligors.
- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
  - (i) it notified the other Finance Party of the legal or arbitration proceedings; and
  - (ii) the other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

## **SECTION 11**

### **ADMINISTRATION**

### **32 PAYMENT MECHANICS**

#### **32.1 Payments to the Facility Agent**

- (a) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, the Obligors or that Lender shall make the same available to the Facility Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Facility Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account with such bank as the Facility Agent specifies.

## 32.2 Distributions by the Facility Agent

Each payment received by the Facility Agent under the Finance Documents for another Party shall, subject to Clause 32.3 (*Clawback*) be made available by the Facility Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement, to such account as that Party may notify to the Facility Agent by not less than five (5) Business Days' notice.

## 32.3 Clawback

- (a) Where a sum is to be paid to the Facility Agent under the Finance Documents for another Party, the Facility Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) Unless paragraph (c) below applies, if the Facility Agent pays an amount to another Party and it proves to be the case that the Facility Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Facility Agent shall on demand refund the same to the Facility Agent together with interest on that amount from the date of payment to the date of receipt by the Facility Agent, calculated by the Facility Agent to reflect its cost of funds.
- (c) If the Facility Agent has notified the Lenders that it is willing to make available amounts for the account of a Borrower before receiving funds from the Lenders then if and to the extent that the Facility Agent does so but it proves to be the case that it does not then receive funds from a Lender in respect of a sum which it paid to a Borrower:
  - (i) the Facility Agent shall notify the Ultimate Parent of that Lender's identity and the Borrower to whom that sum was made available shall on demand refund it to the Facility Agent; and
  - (ii) the Lender by whom those funds should have been made available or, if that Lender fails to do so, the Borrower to whom that sum was made available, shall on demand pay to the Facility Agent the amount (as certified by the Facility Agent) which will indemnify the Facility Agent against any funding cost incurred by it as a result of paying out that sum before receiving those funds from that Lender.

## 32.4 Partial payments

- (a) If the Facility Agent receives a payment for application against amounts due in respect of any Finance Documents that is insufficient to discharge all the amounts then due and payable by the Borrowers under those Finance Documents, the Facility Agent shall apply that payment towards the obligations of the Obligors under those Finance Documents in the following order:
  - (i) **firstly**, in or towards payment pro rata of any unpaid fees, costs and expenses of the Facility Agent and Security Agent under the Finance Documents;

- (ii) **secondly**, in or towards payment pro rata of any accrued interest (including default interest), fees or commissions due but unpaid under the Finance Documents (excluding any Hedging Agreement);
  - (iii) **thirdly**, in or towards payment pro rata of any principal due but unpaid and indemnification due but unpaid under the Finance Documents (excluding any Hedging Agreement);
  - (iv) **fourthly**, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents (excluding any Hedging Agreement); and
  - (v) **fifthly**, in or towards payment pro rata of any other sum due but unpaid under any Hedging Agreement.
- (b) The Facility Agent shall, if so directed by all Lenders, vary the order set out in paragraphs (a)(ii) to (v) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by the Borrowers.

### **32.5 Set-off by any Obligor**

All payments to be made by any Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

### **32.6 Business Days**

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

### **32.7 Currency of account**

- (a) Subject to paragraphs (b) to (d) below, USD is the currency of account and payment for any sum due from any Obligor under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (d) Any amount expressed to be payable in a currency other than USD shall be paid in that other currency.

## **33 NOTICES**

### **33.1 Communications in writing**

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by e-mail or letter.

### 33.2 Addresses

The address and e-mail address (and the department or officer or any equivalent in any Relevant Jurisdiction, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) in the case of any of the Obligors (if by letter, a copy of the letter shall also be sent by email) to:

Flex LNG Management Ltd  
4th floor, 15 Sloan Square  
London, SW1W 8ER, UK

e-mail: [finance@flexlng.com](mailto:finance@flexlng.com)  
Att: Øystein Kalleklev

- (b) in the case of each Lender, that notified in writing to the Facility Agent on or prior to the date on which it becomes a Party; and

- (c) in the case of the Facility Agent, to:

Address:  
Agency Syndicated Loans  
Daalsesingel 71  
3511 SW Utrecht  
The Netherlands  
PAC EA8550

E-mail: [abn.amro.agency.team.1@nl.abnamro.com](mailto:abn.amro.agency.team.1@nl.abnamro.com)  
Att: Agency Syndicated Loans

or any substitute address, e-mail address or department or officer (or any equivalent in any Relevant Jurisdiction) as the Party may notify to the Facility Agent (or the Facility Agent may notify to the other Parties, if a change is made by the Facility Agent) by not less than five (5) Business Days' notice.

### 33.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will only be effective:
- (i) if by way of e-mail, when received in legible form; or
  - (ii) if by way of letter, when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer (or any equivalent in any Relevant Jurisdiction) is specified as part of its address details provided under Clause 33.2 (*Addresses*), if addressed to that department or officer (or any equivalent in any Relevant Jurisdiction).

- (b) Any communication or document which becomes effective, in accordance with paragraph (a) above, after 5:00 p.m. in the place of receipt shall be deemed only to become effective on the following day.
- (c) All notices from or to the Obligors shall be sent through the Facility Agent.

#### **33.4 Notification of address**

Promptly upon receipt of notification of an address or change of address pursuant to Clause 33.2 (*Addresses*) or changing its own address, the Facility Agent shall notify the other Parties.

#### **33.5 English language**

- (a) Any notice given under or in connection with any Finance Document must be in English.
- (b) All other documents provided under or in connection with any Finance Document must be:
  - (i) in English; or
  - (ii) if not in English, and if so required by the Facility Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

### **34 CALCULATIONS AND CERTIFICATES**

#### **34.1 Accounts**

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are prima facie evidence of the matters to which they relate.

#### **34.2 Certificates and determinations**

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

#### **34.3 Day count convention**

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days.



## 35 PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

## 36 REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

## 37 AMENDMENTS AND WAIVERS

### 37.1 Required consents

- (a) Subject to Clause 37.2 (*Exceptions*) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Obligors and any such amendment or waiver will be binding on all Parties.
- (b) The Facility Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 37.

### 37.2 Exceptions

- (a) An amendment or waiver that has the effect of changing or which relates to:
  - (i) the definition of "Majority Lenders" in Clause 1.1 (*Definitions*);
  - (ii) the Guarantee;
  - (iii) the Availability Period;
  - (iv) any increase of the Facility Amount pursuant to Clause 2.2 (*Accordion Increase Option*);
  - (v) an extension to the date of payment of any amount under the Finance Documents;
  - (vi) a reduction in the Margin or a reduction in the amount of any payment of principal, interest, fees or commission payable;
  - (vii) a change in currency of payment of any amount under the Finance Documents;
  - (viii) an increase in or an extension of any Commitment or the Total Commitments;
  - (ix) any provision which expressly requires the consent of all the Lenders;

- (x) Clause 2.2 (*Finance Parties' rights and obligations*), Clause 9 (*Mandatory prepayment*), Clause 28 (*Changes to the Lenders*), Clause 29 (*Changes to the Obligors*), this Clause 37, Clause 40 (*Governing Law*) and Clause 41 (*Enforcement*);
  - (xi) any provision relating to Sanctions;
  - (xii) the release of any Security under any Security Document unless permitted under this Agreement or any other Finance Document, shall not be made without the prior consent of all the Lenders.
- (b) An amendment or waiver which relates to the rights or obligations of the Facility Agent, the Security Agent, the Arrangers or the Swap Provider (each in their capacity as such) may not be effected without the consent of the Facility Agent, the Security Agent, the Arrangers or, as the case may be, the Swap Provider.
- (c) If any Lender fails to respond to a request for a consent, waiver, amendment of or in relation to any of the terms of any Finance Document or other vote of Lenders under the terms of this Agreement within five (5) Business Days (unless the Ultimate Parent and the Facility Agent agree to a longer time period in relation to any request) of that request being made, its Commitment and/or participation shall not be included for the purpose of calculating the Total Commitments or participations under the Facility when ascertaining whether any relevant percentage (including, for the avoidance of doubt, unanimity) of Total Commitments and/or participations has been obtained to approve that request.

### **38 COUNTERPARTS**

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

### **39 CONTRACTUAL RECOGNITION OF BAIL-IN**

Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

- (a) any Bail-In Action in relation to any such liability, including (without limitation):
  - (i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;
  - (ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and
  - (iii) a cancellation of any such liability; and

- (b) a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

## SECTION 12

### GOVERNING LAW AND ENFORCEMENT

#### 40 GOVERNING LAW

This Agreement is governed by Norwegian law.

#### 41 ENFORCEMENT

- (a) The courts of Norway, the venue to be Oslo District Court, have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement.
- (b) This Clause 41 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.

#### 42 PROCESS AGENT

Each Obligor hereby irrevocably:

- (a) appoints Seatankers Management Norway AS (company no. 979 956 223), PO Box 1327 Vika, 0112 Oslo (mail address) and Bryggegate 3, 0250 Oslo, Norway (visiting address) as its agent for the service of process and/or any other writ, notice, order or judgment in respect of this Agreement, any other Finance Document governed by Norwegian law and/or the matters arising here from; and
- (b) agrees that failure by such process agent to notify an Obligor of the process will not invalidate the proceedings concerned.

If any process agent appointed pursuant to this Clause 42 (*Process Agent*) (or any successor thereto) shall cease to exist for any reason where process may be served, the Obligor will forthwith appoint another process agent with an office in Norway where process may be served and will forthwith notify the Facility Agent thereof.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

## SIGNATURES

### THE BORROWERS

FLEX LNG ENDEAVOUR LIMITED

By: /s/ Øystein Kalleklev

Name: Øystein Kalleklev, Attorney-in-fact

FLEX LNG ENTERPRISE LIMITED

By: /s/ Øystein Kalleklev

Name: Øystein Kalleklev, Attorney-in-fact

FLEX LNG RANGER LIMITED

By: /s/ Øystein Kalleklev

Name: Øystein Kalleklev, Attorney-in-fact

### THE GUARANTORS

FLEX LNG LTD.

By: /s/ Øystein Kalleklev

Name: Øystein Kalleklev, Attorney-in-fact

FLEX LNG FLEET LIMITED

By: /s/ Øystein Kalleklev

Name: Øystein Kalleklev, Attorney-in-fact

**AS BOOKRUNNER, CO-ORDINATOR AND MANDATED LEAD ARRANGER**

ABN AMRO BANK N.V.

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

**AS MANDATED LEAD ARRANGERS**

DNB BANK ASA

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

**AS LEAD ARRANGERS**

CREDIT SUISSE AG

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

NIBC BANK N.V.

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

SPAREBANK 1 SR-BANK ASA

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

**AS ORIGINAL LENDERS**

ABN AMRO BANK N.V., OSLO BRANCH

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

DNB BANK ASA

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

CREDIT SUISSE AG

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

NIBC BANK N.V.

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

SPAREBANK 1 SR-BANK ASA

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

**AS FACILITY AGENT AND SECURITY AGENT**

ABN AMRO BANK N.V.

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

**AS SWAP PROVIDERS**

ABN AMRO BANK N.V.

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

DNB BANK ASA

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact



SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

CREDIT SUISSE AG

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

NIBC BANK N.V.

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact

SPAREBANK 1 SR-BANK ASA

By: /s/ Atle Gabrielsen

Name: Atle Gabrielsen, Attorney-in-fact



**SCHEDULE 1  
THE ORIGINAL LENDERS**

Name of Original Lender	Commitment under the Facility
ABN AMRO BANK N.V. OSLO BRANCH	USD 85,000,000
DNB BANK ASA	USD 55,000,000
SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)	USD 55,000,000
CREDIT SUISSE AG	USD 40,000,000
NIBC BANK N.V.	USD 40,000,000
SPAREBANK 1 SR-BANK ASA	USD 40,000,000
<b>Total Commitments</b>	<b>USD 315,000,000</b>

**SCHEDULE 2**  
**CONDITIONS PRECEDENT**

**Part I: Conditions Precedent to Financial Close**

**1. Obligors**

- (a) A copy of the constitutional documents of each Obligor.
- (b) A copy of a resolution of the board directors of each Obligor:
  - (i) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute, deliver and perform the Finance Documents to which it is a party;
  - (ii) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
  - (iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
- (c) A copy of the resolutions of each Borrower's shareholder ratifying the resolutions of the board of directors.
- (d) A certificate of goodstanding in respect of the Borrowers, issued by the Marshall Islands registry.
- (e) A specimen of the signature (which can be by way of copy of passport) of each person signing the Finance Documents on behalf of each Obligor.
- (f) Copies of passports of all board members of each Obligor.
- (g) A certificate of an authorised signatory of each Obligor certifying that each copy document relating to it specified in this Schedule 2 is correct, complete and in full force and effect and has not been amended or superseded as at a date no earlier than the date of this Agreement and confirming that borrowing or guaranteeing or securing, as appropriate, the Total Commitments would not cause any borrowing, guarantee, security or similar binding limit to be exceeded.
- (h) Such other documentation and evidence required to complete the "know your customer" checks as described in Clause 23.8 ("*Know your customer*" checks).

The documents covered by this Section 1, to be submitted in originals or certified copies.

**2. Finance Documents**

- (a) This Agreement executed by the parties thereto.
- (b) A letter from the Facility Agent regarding effective rate of interest, duly countersigned by the Borrowers.
- (c) Any Fee Letter(s), duly signed by the parties thereto.

- (d) Evidence that the fees, costs and expenses due from the Borrowers pursuant to Clause 14 (*Fees*) and Clause 19 (*Costs and expenses*) have been paid.

**3. Other Documents**

- (a) A copy of the Original Financial Statements and most up-to-date financial statements of the Obligors.
- (b) A copy of the Shipbuilding Contracts.
- (c) A copy of the Management Agreements, on terms acceptable to the Finance Parties.
- (d) A copy of the Sterna RCF, amended on terms acceptable to the Lenders in order to comply with the terms of this Agreement.
- (e) Evidence that all process agent appointments required by the Finance Documents have been duly accepted.

**4. Legal opinions**

The following legal opinions if requested by the Lenders, each addressed to the Facility Agent and the Original Lenders:

- (a) a legal opinion from Arntzen de Besche Advokatfirma AS, the legal advisers to the Facility Agent as to Norwegian law;
- (b) a legal opinion from Trott & Duncan Ltd., the legal advisers to the Facility Agent as to Bermuda law;
- (c) a legal opinion from Watson Farley & Williams, the legal advisers to the Facility Agent as to the laws of New York and the Republic of Marshall Islands;
- (d) such other legal opinion(s) as the Facility Agent may reasonably request in respect of any Finance Document governed by foreign law or any entity incorporated in a foreign jurisdiction,

each in form and substance acceptable to the Facility Agent.

## Part II: Conditions Precedent (to each Drawdown Request)

*(Vessel specific documents relates only to the Collateral Vessel financed by the applicable Tranche)*

### 1. Finance Documents

- (a) The Account Pledge, duly signed by all parties.
- (b) In respect of the first Drawdown, the Share Pledges, duly signed by all parties and evidence that the Security to be created thereunder have been duly created and perfected.
- (c) Duly executed and dated notices and acknowledgements in accordance with the Account Pledge.
- (d) The Assignment of Earnings and Charterparties, duly signed by all parties.
- (e) If applicable, duly executed and dated notices and acknowledgements in accordance with the Assignment of Earnings and Charterparties in respect of any charterparties entered into for the applicable Collateral Vessel with a term exceeding 12 months.
- (f) Copies of any Hedging Agreements (if any) entered into.
- (g) The Assignment of Hedging Claims.
- (h) Duly executed and dated notices and acknowledgements in accordance with the Assignment of Hedging Claims.
- (i) The Assignment of Insurances, duly signed by all parties.
- (j) Duly executed and dated notices and Letters of undertaking and acknowledgments, as applicable, in respect of the Assignment of Insurances, in respect of the relevant Collateral Vessel, together with copies of the relevant policies or cover notes or entry certificates duly endorsed with the interest of the Finance Parties.
- (k) If applicable, the Assignment of Intercompany Loan, duly signed by all parties.
- (l) If applicable, duly executed and dated notices and acknowledgements in accordance with the Assignment of Intercompany Loan, in respect of the relevant Borrower.
- (m) The Trust Agreement in respect of the relevant Collateral Vessel, duly executed.
- (n) A Compliance Certificate, duly executed.
- (o) A copy of the Subordination Statement, duly signed by all parties thereto.

### 2. Other documents and evidence

- (a) A copy of any other Authorisation or other document, opinion or assurance which the Facility Agent considers to be necessary (if it has notified the Borrowers accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.

- (b) Evidence that the fees, costs and expenses due from the Borrowers pursuant to Clause 14 (*Fees*) and Clause 19 (*Costs and expenses*) have been paid or will be paid by the applicable Drawdown Date or, if earlier, on its due date.
- (c) A copy of any shareholder loan or intercompany loan agreement relating to loans to or from any Obligor, if applicable, including any subordination statement acceptable to the Facility Agent.
- (d) A subordination statement by the Manager of the Collateral Vessel, in form and substance acceptable to the Facility Agent, whereupon the Manager fully subordinates its claims under any Management Agreement(s) in respect of the Collateral Vessel to the claims of the Finance Parties under the Finance Documents.
- (e) Evidence that all Insurances in respect of the Collateral Vessel in accordance with Clause 26.1 (*Vessel insurances*) are in place and will come in full force and effect upon the delivery of the applicable Collateral Vessel and (at the Borrowers' cost) an insurance report from BankServe, Marsh or AON or any other international reputable insurance consultants acceptable to the Facility Agent confirming the compliance with Clause 26.1.
- (f) Confirmation from the Approved Ship Registry that all documents necessary to register the Collateral Vessel in the name of the applicable Borrower and to register the Mortgage against the Collateral Vessel is pre-cleared and ready to be registered upon discharge of any existing mortgage and completion of transfer under the Shipbuilding Contract, save for such documents that cannot be issued or executed prior to the Delivery Date.
- (g) The bank and the terms for the pre-positioning of the applicable Pre-positioning Portion to be agreed between the Facility Agent, the applicable Borrower and the Yard.
- (h) Closing memorandum, in respect of the relevant Collateral Vessel, in agreed form between the applicable Borrower, the Yard and the Facility Agent, in form and substance acceptable to the Facility Agent.
- (i) Up to date valuation reports evidencing that the Fair Market Value of the Collateral Vessel complies with the requirements in Clause 26.11 (*Fair Market Value*) and that the amount requested to be utilised is within the Maximum Tranche Amount.
- (j) Evidence that all process agent appointments required by the Finance Documents have been duly accepted.
- (k) Evidence of the Total Delivery Cost for the applicable Collateral Vessel and a confirmation from the Yard or other acceptable evidence of the amount of the final instalment payable under the Shipbuilding Contract.

- (l) In respect of FLEX RANGER only, evidence satisfactory to the Facility Agent, that the applicable Shipbuilding Contract has been, or will be, transferred no later than on the applicable Delivery Date from Flex LNGC1 Limited to FLEX LNG RANGER Limited and/or that title to FLEX RANGER will be transferred from Flex LNGC1 Limited to FLEX LNG RANGER Limited on terms acceptable to the Facility Agent immediately upon or concurrent with the delivery of FLEX RANGER from the Yard.

### **Part III: Conditions Precedent at each Delivery Date**

*(to be delivered on the relevant Delivery Date for each Initial Vessel)*

*(Vessel specific documents relates only to the Collateral Vessel financed by the applicable Tranche)*

#### **1. Finance Documents**

- (a) The Mortgage in respect of the relevant Collateral Vessel, duly signed and registered as a first preferred mortgage in the Approved Ship Registry against the relevant Collateral Vessel.
- (b) Transcript of Registry showing that the applicable Borrower is registered as the owner of the relevant Collateral Vessel and that the Mortgage is registered as a first preferred mortgage and that no other encumbrances, maritime liens, mortgages or debts whatsoever are registered against the Collateral Vessel.

#### **2. Vessel Documents**

- (a) Copy of the protocol of trials, in respect of the relevant Collateral Vessel, as delivered by the Yard.
- (b) Copy of the protocol of inventory, in respect of the relevant Collateral Vessel, of the equipment, spare parts, tools etc., as delivered by the Yard.
- (c) Copy of the protocol of stores of consumables, in respect of the relevant Collateral Vessel, as delivered by the Yard.
- (d) Copies of drawings and plans in respect of the relevant Collateral Vessel.
- (e) Copy of the protocol of delivery and acceptance under the relevant Shipbuilding Contract, duly signed by the Yard and the relevant Borrower.
- (f) Copy of the Declaration of Warranty, in respect of the relevant Collateral Vessel, as delivered by the Yard.
- (g) Copy of the duly notarised and legalised Builder's Certificate, in respect of the relevant Collateral Vessel, issued by the Yard.
- (h) Copy of the commercial invoice, in respect of the relevant Collateral Vessel, issued by the Yard.
- (i) Copy of the duly notarised and legalised Bill of Sale, in respect of the relevant Collateral Vessel, issued by the Yard, if applicable.
- (j) A copy of the Document of Compliance for the Manager.

**3. Other documents and evidence**

- (a) Evidence that the purchase price for the applicable Collateral Vessel not covered by the relevant Tranche has been, or will at the latest together with the Tranche be, paid by equity to the Yard.

**4. Legal opinions**

The following legal opinions if requested by the Lenders, each addressed to the Facility Agent and the Original Lenders:

- (a) a legal opinion from Arntzen de Besche Advokatfirma AS, the legal advisers to the Facility Agent as to Norwegian law;
- (b) a legal opinion from Trott & Duncan Ltd., the legal advisers to the Facility Agent as to Bermuda law;
- (c) a legal opinion from Watson Farley & Williams LLP, the legal advisers to the Facility Agent as to as to the laws of New York and the laws of the Republic of Marshall Islands;
- (d) a legal opinion from HFW, the legal advisors to the Facility Agent as to English law;
- (e) such other legal opinion(s) as the Facility Agent may reasonably request in respect of any Finance Document governed by foreign law or any entity incorporated in a foreign jurisdiction, each in form and substance acceptable to the Facility Agent and as agreed prior to the Drawdown Request.

## Part IV: Conditions Subsequent

### 1. Finance Documents

- (a) Any Hedging Agreements entered into with any Obligor.
- (b) Duly executed and dated notices and acknowledgements in accordance with the Assignment of Earnings and Charterparty (if applicable).
- (c) Duly executed and dated notices and acknowledgements in accordance with the Assignment of Hedging Claims.
- (d) Duly executed and dated notices and Letters of undertaking and acknowledgments, as applicable, in respect of the Assignment of Insurances together with copies of the relevant policies or cover notes or entry certificates duly endorsed with the interest of the Finance Parties.

### 2. Other documents

- (a) Copies of the class certificate and other relevant certificates, in respect of the relevant Collateral Vessel, including:
  - (i) a copy of the load-line certificate;
  - (ii) a copy of the IOPP (International Oil Pollution Prevention) Certificate;
  - (iii) a copy of the SOLAS (International Convention for Safety of Life at Sea) Certificate;
  - (iv) a copy of the Ship Radio License; and
  - (v) a copy of the Minimum Safe Manning Certificate.
  - (vi) a copy of the Collateral Vessel's safety management certificate issued pursuant to the ISM Code;
  - (vii) a copy of the certificate issued pursuant to the ISPS Code; and
- (b) A copy of the Inventory of Hazardous Materials (IHM) available to the Collateral Vessel.

### 3. Legal opinions

Such legal opinion(s) as the Facility Agent may reasonably request in respect of any Finance Document each in form and substance acceptable to the Facility Agent and as agreed under Part III.



## Part V: Conditions precedent to a Substitution

### 1. The Replacement Borrower

- (a) A copy of the constitutional documents of a Replacement Borrower.
- (b) A copy of a resolution of the board directors of a Replacement Borrower:
  - (i) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute, deliver and perform the Finance Documents to which it is a party;
  - (ii) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf; and
  - (iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.
- (c) A specimen of the signature (which can be by way of copy of passport) of each person signing the Finance Documents on behalf of the Replacement Borrower.
- (d) Copies of passports of all board members of a Replacement Borrower.
- (e) A certificate of an authorised signatory of a Replacement Borrower certifying that each copy document relating to it specified in this Schedule 2 is correct, complete and in full force and effect and has not been amended or superseded as at a date no earlier than the date of this Agreement and confirming that borrowing or guaranteeing or securing, as appropriate, the Total Commitments would not cause any borrowing, guarantee, security or similar binding limit to be exceeded.
- (f) Such other documentation and evidence required to complete the "know your customer" checks as described in Clause 23.8 ("*Know your customer*" checks).

The documents covered by this Section 1, to be submitted in originals or certified copies.

### 2. Finance Documents

- (a) The Substitution Letter executed by the parties thereto, including the Replacement Borrower.
- (b) The Share Pledge, duly signed by all parties, including the Intermediate Parent, and evidence that the Security to be created thereunder over the shares in the Replacement Borrower has been duly created and perfected.

### 3. Other documents

- (a) Evidence that all process agent appointments required by the Finance Documents have been duly accepted.

- (b) A copy of any shareholder loan or intercompany loan agreement relating to loans to or from the Replacement Borrower, whether arising as a result of the Substitution or otherwise, if applicable, including any subordination statement acceptable to the Facility Agent.
- (c) Such other documents and evidence as listed in Part I to IV of this Schedule 2 as requested by the Facility Agent, subject to logical adjustments depending upon *inter alia* whether Substitution occurs after the Substitution Vessel has been delivered from the Yard or not, including for the avoidance of any doubt, such Security to be granted by the Replacement Borrower replacing the Security previously granted by the Initial Borrower being replaced.

#### 4. Legal opinions

The following legal opinions from lawyers appointed by the Facility Agent, each addressed to the Facility Agent and the Original Lenders:

- (a) a legal opinion from Arntzen de Besche Advokatfirma AS, the legal advisers to the Facility Agent as to Norwegian law;
- (b) such legal opinion(s) as the Facility Agent may reasonably request in respect of the Replacement Borrower; and
- (c) such other legal opinion(s) as the Facility Agent may reasonably request in respect of any Finance Document governed by foreign law, each in form and substance acceptable to the Facility Agent.

**SCHEDULE 3  
REQUESTS AND NOTICES**

Part I: Drawdown Request

From: [FLEX LNG LTD.]  
To: ABN AMRO Bank N.V. as Facility Agent  
Dated:  
Dear Sirs

**USD 315,000,000 Term Loan Facility Agreement dated 20 December, 2017 (the "Facility Agreement")**

1. We refer to the Facility Agreement. This is a Drawdown Request. Terms defined in the Facility Agreement have the same meaning in this Drawdown Request unless given a different meaning in this Drawdown Request.
2. We wish to borrow the Loan on the following terms:
  - (a) Proposed Drawdown Date: [●] (or, if that is not a Business Day, the next Business Day)
  - (b) Amount: USD [●]
  - (c) Tranche: [insert]
  - (d) The proceeds of the Drawdown shall be credited to: [●]
3. We confirm that each condition specified in Clause 4.2 (*Further conditions precedent*) is satisfied on the date of this Drawdown Request, including that no Default is continuing or would result from the proposed Drawdown.
4. This Drawdown Request is irrevocable.

Yours faithfully

.....

authorised signatory for

**FLEX LNG LTD.**

Part II: Selection Notice

From: FLEX LNG LTD.

To: ABN AMRO Bank N.V. as Facility Agent

Dated:

Dear Sirs

**USD 315,000,000 Term Loan Facility Agreement dated 20 December, 2017 (the "Facility Agreement")**

1. We refer to the Facility Agreement. This is a Selection Notice. Terms defined in the Facility Agreement have the same meaning in this Selection Notice unless given a different meaning in this Selection Notice.
2. We refer to the Tranche in the amount of [●], with an Interest Period ending on [●].
3. We request that the next Interest Period for the Tranche is [●].
4. This Selection Notice is irrevocable.

Yours faithfully

.....

authorised signatory for

**FLEX LNG LTD.**

## SCHEDULE 4

### FORM OF TRANSFER CERTIFICATE

From: [●] as Facility Agent

To: [*The Existing Lender*] (the "Existing Lender") and [*The New Lender*] (the "New Lender")

Dated:

#### **USD 315,000,000 Term Loan Facility Agreement dated 20 December, 2017 (the "Facility Agreement")**

1. We refer to the Facility Agreement. This agreement (the "Agreement") shall take effect as a Transfer Certificate for the purpose of the Facility Agreement. Terms defined in the Facility Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.
2. We refer to Clause 28.5 (*Procedure for transfer*) of the Facility Agreement:
  - (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation all or part of the Existing Lender's Commitment, rights and obligations referred to in the Schedule in accordance with Clause 28.5 (*Procedure for transfer*).
  - (b) The proposed Transfer Date is [.]
  - (c) The facility office, address and attention details for notices of the New Lender for the purposes of Clause 33.2 (*Addresses*) are set out in the Schedule.
3. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (c) of Clause 28.4 (*Limitation of responsibility of Existing Lenders*).
4. This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.
5. This Agreement is governed by Norwegian law.
6. This Agreement has been entered into on the date stated at the beginning of this Agreement.

**THE SCHEDULE**

Commitment/rights and obligations to be transferred

*[insert relevant details]*

*[Facility Office address and attention details for notices and account details for payments.]*

[Existing Lender]

[New Lender]

By:

By:

This Agreement is accepted as a Transfer Certificate for the purposes of the Facility Agreement by the Facility Agent and the Transfer Date is confirmed as [●].

[Facility Agent]

By:

**SCHEDULE 5  
FORM OF COMPLIANCE CERTIFICATE**

From: FLEX LNG LTD.

To: ABN AMRO Bank N.V. as Facility Agent

Dated:

Dear Sirs

**USD 315,000,000 Term Loan Facility Agreement dated 20 December, 2017 (the "Facility Agreement")**

1. We refer to the Facility Agreement. This is a Compliance Certificate. Terms defined in the Facility Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.
2. We confirm that:

Clause	Test	Figures/calculations	Compliance
24.3(a)	Equity Ratio – Ultimate Parent (consolidated)		
	A: Total Equity		
	B: Total Assets		
	Requirement: ratio of A to B to be minimum 0.25 to 1.0		[yes/no]
24.3(b)	Working Capital – Ultimate Parent		
	A: current assets		
	B: current liabilities		
	Requirement: A to exceed B		[yes/no]
24.3(c)	Minimum Liquidity – Ultimate Parent (consolidated)		
	A: Liquidity		
	B: Interest bearing Financial Indebtedness (excl. Sterna RCF)		
	C: Cash and Cash Equivalents		
	Requirement: A to be minimum the higher of (i) USD 15,000,000 or (ii) 5% of the sum		[yes/no]

	of B less C.		
24.4(a)	Working Capital – each Borrower (unconsolidated) FLEX LNG ENDEAVOUR LIMITED.*		
	A: current assets		
	B: current liabilities		
	Requirement: A to exceed B		[yes/no]
24.4(a)	Working Capital – each Borrower (unconsolidated) FLEX LNG ENTERPRISE LIMITED.*		
	A: current assets		
	B: current liabilities		
	Requirement: A to exceed B		[yes/no]
24.4(a)	Working Capital – each Borrower (unconsolidated) FLEX LNG RANGER LIMITED.*		
	A: current assets		
	B: current liabilities		
	Requirement: A to exceed B		[yes/no]
24.4(b)	Working Capital – each Borrower (unconsolidated) FLEX LNG ENDEAVOUR LIMITED.*		
	A: Liquidity		
	Requirement: A to be minimum USD 1,200,000		[yes/no]
24.4(b)	Working Capital – each Borrower (unconsolidated) FLEX LNG ENTERPRISE LIMITED.*		
	A: Liquidity		
	Requirement: A to be minimum USD 1,200,000		[yes/no]



24.4(b)	Working Capital – each Borrower (unconsolidated) FLEX LNG RANGER LIMITED.*		
	A: Liquidity		
	Requirement: A to be minimum USD 1,200,000		[yes/no]

3 We confirm that each Collateral Vessel is insured against such risks and in such amounts as set out in Appendix 1 hereto.

4. [Attached as Appendix 2 hereto are two independent valuations for the determination of the Fair Market Value of each Collateral Vessel.]\*\*

5. [We confirm that no Default is continuing.]\*\*\*

Signed .....  
[Chief Financial Officer] [Director]  
FLEX LNG LTD.

NOTES:

\* Or a Replacement Borrower, in case of a Substitution

\*\* When applicable (only semi-annually).

\*\*\* If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

Appendix 1 – Insurances

Collateral Vessel	Hull & Machinery	Freight Interest	Hull Interest	P&I	War risk	Insured Amount



**SCHEDULE 6  
FORM OF SUBSTITUTION LETTER**

From: ABN AMRO Bank N.V. as Facility Agent for itself and each of the other parties to the Facility Agreement referred to below

To: FLEX LNG LTD (as Ultimate Parent) as Obligors' agent  
FLEX LNG [ENDEAVOUR]/[ENTERPRISE]/[RANGER] LIMITED. (as Initial Borrower)  
FLEX LNG [TBD] LTD. (as Replacement Borrower)

Dated:

Dear Sirs,

**USD 315,000,000 Term Loan Facility Agreement dated 20 December, 2017 (the "Facility Agreement")**

1. We refer to the Facility Agreement. This substitution letter (the "**Substitution Letter**") shall take effect as a Substitution Letter for the purposes of the Facility Agreement. Terms defined in the Facility Agreement have the same meaning in this Substitution Letter unless given a different meaning in this Substitution Letter.
2. FLEX LNG [TBD] LTD. (the "**Replacement Borrower**") agrees to become Replacement Borrower with respect to all amounts outstanding the Agreement and to be bound by the terms of the Agreement as joint and several borrower and Obligor pursuant to Clause 6 (*Substitution*) of the Agreement.
3. The Replacement Borrower's administrative details are as follows:  
  
Address:  
  
Email:  
  
Attention:
4. The Substitution Vessel [*tbd*] will replace [*tbd*] and become a Collateral Vessel.
5. We confirm that the Repeating Representations are made by each of the Obligors and the Replacement Borrower on the date of this Substitution Letter and that all Repeating Representations are true in all material respects on that date.
6. This Accession Letter is governed by Norwegian law and the Replacement Borrower has appointed [.] as its process agents in respect of this Substitution Letter and the other Finance Documents.

**THIS SUBSTITUTION LETTER** has been signed on behalf of the Ultimate Parent, the Initial Borrower and the Replacement Borrower and is delivered on the date stated above.

Signed .....  
[Chief Financial Officer] [Director]  
FLEX LNG LTD. as agent on behalf of the Obligors

Signed .....  
[Chief Financial Officer] [Director]  
[tbd]

Signed .....  
[Chief Financial Officer] [Director]  
[tbd]

**SCHEDULE 7  
REPAYMENT SCHEDULE**

		<b>Per Vessel</b>		<b>2 Vessels</b>		<b>3 Vessels</b>	
		<i>Repayment</i>	<i>Available amount</i>	<i>Repayment</i>	<i>Available amount</i>	<i>Repayment</i>	<i>Available amount</i>
Year 1	Q1		105 000 000		210 000 000		
	Q2	1 312 500	103 687 500	2 625 000	207 375 000		315 000 000
	Q3	1 312 500	102 375 000	2 625 000	204 750 000	3 937 500	311 062 500
	Q4	1 312 500	101 062 500	2 625 000	202 125 000	3 937 500	307 125 000
Year 2	Q1	1 312 500	99 750 000	2 625 000	199 500 000	3 937 500	303 187 500
	Q2	1 312 500	98 437 500	2 625 000	196 875 000	3 937 500	299 250 000
	Q3	1 312 500	97 125 000	2 625 000	194 250 000	3 937 500	295 312 500
	Q4	1 312 500	95 812 500	2 625 000	191 625 000	3 937 500	291 375 000
Year 3	Q1	1 312 500	94 500 000	2 625 000	189 000 000	3 937 500	287 437 500
	Q2	1 544 118	92 955 882	3 088 235	185 911 765	4 632 353	283 500 000
	Q3	1 544 118	91 411 765	3 088 235	182 823 529	4 632 353	278 867 647
	Q4	1 544 118	89 867 647	3 088 235	179 735 294	4 632 353	274 235 294
Year 4	Q1	1 544 118	88 323 529	3 088 235	176 647 059	4 632 353	269 602 941
	Q2	1 544 118	86 779 412	3 088 235	173 558 824	4 632 353	264 970 588
	Q3	1 544 118	85 235 294	3 088 235	170 470 588	4 632 353	260 338 235
	Q4	1 544 118	83 691 176	3 088 235	167 382 353	4 632 353	255 705 882
Year 5	Q1	1 544 118	82 147 059	3 088 235	164 294 118	4 632 353	251 073 529
	Q2	1 544 118	80 602 941	3 088 235	161 205 882	4 632 353	246 441 176
	Q3	1 544 118	79 058 824	3 088 235	158 117 647	4 632 353	241 808 824
	Q4	1 544 118	77 514 706	3 088 235	155 029 412	4 632 353	237 176 471
Year 6	Q1	1 544 118	75 970 588	3 088 235	151 941 176	4 632 353	232 544 118
	Q2	1 544 118	74 426 471	3 088 235	148 852 941	4 632 353	227 911 765
<b>Balloon:</b>			<b>74 426 471</b>		<b>148 852 941</b>		<b>227 911 765</b>

**SCHEDULE 8**  
**FORM OF SUBSTITUTION CONFIRMATION LETTER**

From: FLEX LNG LTD (as Ultimate Parent) (as Obligors' agent)  
FLEX LNG [ENDEAVOUR]/[ENTERPRISE]/[RANGER] LIMITED. (as Initial Borrower)  
FLEX LNG [TBD] LTD. (as Replacement Borrower)  
The Finance Parties

To: ABN AMRO Bank N.V. as Facility Agent for itself and each of the other parties to the Facility Agreement referred to below

Dated:

Dear Sirs,

**USD 315,000,000 Term Loan Facility Agreement dated 20 December, 2017 (the "Facility Agreement")**

1. We refer to the Agreement. The purpose of this letter is to give notice that a Substitution has become effective and the Substitution has occurred.
2. Terms defined in the Agreement have the same meaning in this letter unless given a different meaning herein.
3. We hereby confirm that we have received all the documents and other evidence listed in paragraph (b) of Clause 6.1 (*Substitution*) of the Facility Agreement (in form and substance satisfactory to us).
4. We consequently confirm that:
  - (a) the Substitution;
  - (b) the accession of the Replacement Borrower as Borrower;
  - (c) the secession of [Initial Borrower] as Borrower; and
  - (d) the Substitution Vessel [*tbd*] replacing [*tbd*] as a Collateral Vessel, shall become effective as of [*time*] on [*date*] and that this shall represent the "Substitution Date" which occurred at such time in accordance with Clause 6 (*Substitution*) of the Facility Agreement.
5. This letter is governed by Norwegian law.

Yours Sincerely  
For and on behalf of  
**ABN AMRO BANK N.V.**  
(acting in our capacity as Facility Agent only)

By:

Name:

**SCHEDULE 9  
LIST OF COLLATERAL VESSELS**

**Initial Vessels**

Hull number	Vessel name	Yard	Prop.	Year Build	Capacity (m3)	Employment
2447	FLEX Endeavour	DSME	MEGI	2018	173,400	Available Q1 2018
2448	FLEX Enterprise	DSME	MEGI	2018	173,400	Available Q1 2018
2107	FLEX Ranger	SHI	MEGI	2018	174,000	Available Q2 2018

**Substitution Vessels**

Hull number	Vessel name	Yard	Prop.	Year Build	Capacity (m3)	Employment
2108	FLEX Rainbow	SHI	MEGI	2018	174,000	Available Q3 2018
2470	FLEX Constellation	DSME	MEGI	2019	173,400	Available Q2 2019
2471	FLEX Courageous	DSME	MEGI	2019	173,400	Available Q3 2019



**SCHEDULE 10**  
**LIST OF OPERATING ACCOUNTS**

<b>Account holder</b>	<b>Account number</b>
FLEX LNG Endeavour Limited	1250.05.73498
FLEX LNG Enterprise Limited	1250.05.73501
FLEX LNG Ranger Limited	1250.05.73528

Certain identified information has been excluded from the exhibit because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

1. Shipbroker N/A	<b>BIMCO STANDARD BAREBOAT CHARTER</b> CODE NAME: "BARECON 2001"	<b>BIMCO</b>  <b>PART I</b>
2. Place and date		
3. Owners/Place of business (Cl. 1) [REDACTED]	4. Bareboat Charterer/Place of Business (Cl. 1) <b>Flex LNG Rainbow Limited</b>  <b>The Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands</b>	
5. Vessel's name, call sign and flag (Cl. 1 and 3) <b>Flex Rainbow</b> <b>IMO No. 9709037</b> <b>Marshall Islands</b>		
6. Type of Vessel <b>Liquefied Natural Gas Carrier</b>	7. GT/NT <b>115,174</b> <b>34,860</b>	
8. When/Where built <b>2018</b> <b>Samsung Heavy Industry Co. Ltd.</b>	9. Total DWT (abt.) in metric tons on summer freeboard	
10. Classification Society (Cl. 3) <b>American Bureau of Shipping</b>	11. Date of last special survey by the Vessel's classification society	
12. Further particulars of Vessel (also indicate minimum number of months' validity of class certificates agreed acc. to Cl. 3)		
13. Port or Place of delivery (Cl. 3) <b>As per MOA (as defined in Additional Clause 32 (Definitions))</b>	14. Time for delivery (Cl. 4) <b>See Additional Clause 35 (Pre-delivery and delivery)</b>	15. Cancelling date (Cl. 5) <b>As per MOA (as defined in Additional Clause 32 (Definition))</b>
16. Port or Place of redelivery (Cl. 15) <b>See Additional Clause 43 (Redelivery)</b>	17. No. of months' validity of trading and class certificates upon redelivery (Cl. 15)	
18. Running days' notice if other than stated in Cl. 4 N/A	19. Frequency of dry-docking (Cl. 10(g)) <b>In accordance with Classification Society or flag state requirements</b>	
20. Trading Limits (Cl. 6) <b>Worldwide within Institute Warranty Limits (IWL)</b>		
21. Charter period (Cl. 2) <b>See definition of "Charter Period" under Additional Clause 32 (Definitions)</b>	22. Charter hire (Cl. 11) <b>See Additional Clause 41 (Hire)</b>	
23. New class and other safety requirements (state percentage of Vessel's insurance value acc. to Box 29)(Cl. 10(a)(ii)) <b>See Additional Clause 40(b) (Structural changes and alterations)</b>		

24. Rate of interest payable acc. to <u>Cl. 11(f)</u> and, if applicable, acc. to <u>PART IV</u> <b>See Additional Clause 41 (Hire)</b>	25. Currency and method of payment ( <u>Cl. 11</u> ) <b>US Dollars (See also Additional Clause 41 (Hire))</b>
26. Place of payment; also state beneficiary and bank account (Cl. 11) <b>See Additional Clause 41 (Hire)</b>	27. Bank guarantee/bond (sum and place) ( <u>Cl. 24</u> ) (optional) <b>See Clause 24</b>

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**“BARECON 2001” STANDARD BAREBOAT CHARTER**

PART I

28. Mortgage(s), if any (state whether <u>12(a)</u> or <u>(b)</u> applies; if <u>12(b)</u> applies state date of Financial Instrument and name of Mortgagee(s)/Place of business)( <u>Cl. 12</u> ) <b>Clause 12 applies; form of Financial Instrument and name of mortgagee to be determined</b>	29. Insurance (hull and machinery and war risks)(state value acc. to <u>Cl. 13(f)</u> or, if applicable, acc. to <u>Cl. 14(k)</u> )(also state if <u>Cl. 14</u> applies) <b>See Additional Clause 42 (Insurance)</b>
30. Additional insurance cover, if any, for Owners’ account limited to ( <u>Cl. 13(b)</u> ) or, if applicable, <u>Cl. 14(g)</u> ) <b>No limitation</b>	31. Additional insurance cover, if any, for Charterers’ account limited to ( <u>Cl. 13(b)</u> ) or, if applicable, <u>Cl. 14(g)</u> ) <b>No limitation</b>
32. Latent defects (only to be filled in if period other than stated in <u>Cl. 3</u> )	33. Brokerage commission and to whom payable ( <u>Cl. 27</u> ) N/A
34. Grace period (state number of clear banking dates)( <u>Cl. 28</u> ) <b>See Additional Clause 51 (Termination Events)</b>	35. Dispute Resolution (state <u>30(a)</u> , <u>30(b)</u> or <u>30(c)</u> ; if <u>30(c)</u> agreed Place of Arbitration <u>must</u> be stated ( <u>Cl. 30</u> ) <b>(c) See Additional Clause 77 (Law and Jurisdiction)</b>
36. War cancellation (indicate countries agreed)( <u>Cl. 26(f)</u> ) N/A	
37. Newbuilding Vessel (indicate with “yes” or “no” whether <u>PART III</u> applies)(optional) <b>No, Part III does not apply</b>	38. Name and place of Builders (only to be filled in if <u>PART III</u> applies) <b>Part III does not apply</b>
39. Vessel’s Yard Building No. (only to be filled in if <u>PART III</u> applies) <b>Part III does not apply</b>	40. Date of Building Contract (only to be filled in if <u>PART III</u> applies) <b>Part III does not apply</b>
41. Liquidated damages and costs shall accrue to (state party acc. to <u>Cl. 1</u> ) a) N/A b) N/A c) N/A	
42. Hire/Purchase agreement (indicate with “yes” or “no” whether <u>PART IV</u> applies)(optional) <b>No</b>	43. Bareboat Charter Registry (indicate “yes” or “no” whether <u>PART V</u> applies)(optional) <b>Part V does not apply</b>
44. Flag and Country of the Bareboat Charter Registry (only to be filled in if <u>PART V</u> applies) <b>Part V does not apply</b>	45. Country of the Underlying Registry (only to be filled in if <u>PART V</u> applies) <b>Part V does not apply</b>
46. Number of additional clauses covering special provisions, if agreed <b>Clauses 32 (Definitions) to Clause 79 (FATCA)</b>	

PREAMBLE - It is mutually agreed that this Contract shall be performed subject to the conditions contained in this Charter which shall include PART I and PART II. In the event of a conflict of conditions, the provisions of PART I shall prevail over those of PART II to the extent of such conflict but no further. It is further mutually agreed that PART III and/or PART IV and/or PART V shall only apply and only form part of this Charter if expressly agreed and stated in Boxes 37, 42 and 43. If PART III and/or PART IV and/or PART V apply, it is further agreed that in the event of a conflict of conditions, the provisions of PART I and PART II shall prevail over those of PART III and/or PART IV and/or PART V to the extent of such conflict but no further.

Signature (Owners) [Redacted Signature]	Signature (Charterers)
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**PART II**  
**“BARECON 2001” Standard Bareboat Charter**

**1. Definitions**

In this Charter, the following terms shall have the meanings hereby assigned to them:

“The Owners” shall mean the party identified in Box 3;

“The Charterers” shall mean the party identified in Box 4;

“The Vessel” shall mean the vessel named in Box 5 and with particulars as stated in Boxes 6 to 12.

“Financial Instrument” any Finance Document (as defined in Additional Clause 32 (Definitions) and Additional Clause 33 (Interpretations)) means the mortgage, deed covenant or other such financial security instrument as annexed to this Charter and stated in Box 28.

**2. Charter Period**

In consideration of the hire detailed in Box 22, the Owners have agreed to let and the Charterers have agreed to hire the Vessel for the period stated in Box 21 (“The Charter Period”).

**3. Delivery**

*(not applicable when Part III applies, as indicated in Box 37)*

(a) The Owners shall before and at the time of delivery exercise due diligence to make the Vessel seaworthy And in every respect ready in hull, machinery and equipment for service under this Charter.

The Vessel shall be delivered by the Owners and taken over by the Charterers at the port or place indicated in Box 13 in such ready safe berth as the Charterers may direct.

(b) The Vessel shall be properly documented on delivery in accordance with the laws of the flag State indicated in Box 5 and the requirements of the classification society stated in Box 10. The Vessel upon delivery shall have her survey cycles up to date and trading and class certificates valid for at least the number of months agreed in Box 12.

(c) The delivery of the Vessel by the Owners and the taking over of the Vessel by the Charterers shall constitute a full performance by the Owners of all the Owners’ obligations under this Clause 3, and thereafter the Charterers shall not be entitled to make or assert any claim against the Owners on account of any conditions, representations or warranties expressed or implied with respect to the Vessel but the Owners shall be liable for the cost of but not the time for repairs or renewals occasioned by the latent defects in the Vessel, her machinery or appurtenances, existing at the time of delivery under this Charter, provided such defects have manifested themselves within twelve (12) months after delivery unless otherwise provided in Box 32.

**4. Time for Delivery**

*(not applicable when Part III applies, as indicated in Box 37)*

The Vessel shall not be delivered before the date indicated in Box 14 without the Charterers’ consent and the Owners shall exercise due diligence to deliver the Vessel not later than the date indicated in Box 15. Unless otherwise agreed in Box 18, the Owners shall give the Charterers not less than thirty (30) running days’ preliminary and not less than fourteen (14) running days’ definite notice of the date on which the Vessel is expected to be ready for delivery.

The Owners shall keep the Charterers closely advised of possible changes in the Vessel’s position.

**5. Cancelling**

*(not applicable when Part III applies, as indicated in Box 37)*

(a) Should the Vessel not be delivered latest by the cancelling date indicated in Box 15, the Charterers shall have the option of cancelling this Charter by giving the Owners notice of cancellation within thirty-six (36) running hours after the cancelling date stated in Box 15, failing which this Charter shall remain in full force and effect.

(b) If it appears that the Vessel will be delayed beyond the cancelling date, the Owners may, as soon as they are in a position to state with reasonable certainty the day on which the Vessel should be ready, give notice thereof to the Charterers asking whether they will exercise their option of cancelling, and the option must then be declared within one hundred and sixty-eight (168) running hours of the receipt by the Charterers of such notice or within thirty-six (36) running hours after the cancelling date, whichever is the earlier. If the Charterers do not then exercise their option of cancelling, the seventh day after the readiness date stated in the Owners’ notice shall be substituted for the cancelling date indicated in Box 15 for the purpose of this Clause 5.

(c) Cancellation under this Clause 5 shall be without prejudice to any claim the Charterers may otherwise have on the Owners under this Charter.

**6. Trading Restrictions**

The Vessel shall be employed in lawful trades for the carriage of suitable lawful merchandise within the trading limits indicated in Box 20.

The Charterers undertake not to employ the Vessel or suffer the Vessel to be employed otherwise than in conformity with the terms of the contracts of insurance (including any warranties expressed or implied therein) without first obtaining the consent

of the insurers to such employment and complying with such requirements as the extra premium or otherwise as the insurers may prescribe.

The Charterers also undertake not to employ the Vessel or suffer her employment in any trade or business which is forbidden by the law of any country to which the Vessel may sail or is otherwise illicit or in carrying illicit or prohibited goods or in any manner whatsoever which may render her liable to condemnation, destruction, seizure or confiscation.

Notwithstanding any other provisions contained in this Charter it is agreed that nuclear fuels or radioactive products or waste are specifically excluded from the cargo permitted to be loaded or carried under this Charter. This exclusion does not apply to radio-isotopes used or intended to be used for any industrial, commercial, agricultural, medical or scientific purposes provided the Owners' prior approval has been obtained to loading thereof.

**7. Surveys on Delivery and Redelivery**

*(not applicable when Part III applies, as indicated in Box 37)*

Provisions on delivery see Clause 46.2.

~~The Owners and Charterers shall each appoint surveyors for the purpose of determining and agreeing in writing the condition of the Vessel at the time of delivery and redelivery hereunder. The Owners shall bear all expenses of the On-hire Survey including loss of time, if any, at the daily equivalent to the rate of hire or pro rate thereof.~~

**8. Inspection – See Additional Clause 49(cc)**

**(Inspection of Vessels and inspection reports)**

~~The Owners shall have the right at any time after giving reasonable notice to the Charterers to inspect or survey the Vessel or instruct a duly authorised surveyor to carry out such survey on their behalf:~~

- ~~(a) — to ascertain the condition of the Vessel and satisfy themselves that the Vessel is being properly repaired and maintained. The costs and fees for such inspection or survey shall be paid by the Owners unless the Vessel is found to require repairs or maintenance in order to achieve the condition so provided;~~
- ~~(b) — in dry-dock if the Charterers have not dry-docked Her in accordance with Clause 10(g). The costs and fees for such inspection or survey shall be paid by the Charterers; and~~
- ~~(c) — for any other commercial reason they consider necessary (provided it does not unduly interfere with the commercial operation of the Vessel). The costs and~~

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**PART II**  
**“BARECON 2001” Standard Bareboat Charter**

fees for such inspection and survey shall be paid by the Owners.

All time used in respect of inspection, survey or repairs shall be for the Charterers account and form part of the Charter Period. The Charterers shall also permit the Owners to inspect the Vessel's log books whenever requested and shall whenever required by the Owners furnish them with full information regarding any casualties or other accidents or damage to the Vessel.

**9. Inventories, Oil and Stores**

A complete inventory of the Vessel's entire equipment, outfit including spare parts, appliances and of all consumables stores on board the Vessel shall be made by the Charterers in conjunction with the Owners on delivery and again on redelivery of the Vessel. See also Additional Clause 38 (Bunkers and Luboils). The Charterers and the Owners, respectively, shall at the time of delivery and redelivery take over and pay for all bunkers, lubricating oil, unbroached provisions, paints, ropes and other consumable stores (excluding spare parts) in the said Vessel at the then current market prices at the ports of delivery and redelivery, respectively. The Charterers shall ensure that all spare part listed in the inventory and used during the Charter Period are replaced at their expense prior to redelivery of the Vessel.

**10. Maintenance and Operation**

(a)(i) Maintenance and Repairs - During the Charter Period the Vessel shall be in the full possession and at the absolute disposal for all purposes of the Charterers and under their complete control in every respect. The Charterers shall maintain the Vessel, her machinery, boilers, appurtenances and spare parts in a good state of repair, in efficient operating condition and in accordance with good commercial maintenance practice and, except as provided for in Clause 14(I), if applicable, at their own expense they shall at all times keep the Vessel's Class fully up to date with the Classification Society indicated in Box 10 and maintain all other necessary certificates in force at all times.

(ii) New Class and Other Safety Requirements - In the event of any improvement, structural changes or new equipment becoming necessary for the continued operation of the Vessel by reason of new class requirements or by compulsory legislation costing (excluding the Charterers' loss of time) more than the percentage stated in Box 23, or if Box 23 is left blank, 5 per cent. of the Vessel's insurance value as stated in Box 29, then the extent, if any, to which the rate of hire shall be varied and the ratio in which the cost of compliance shall be shared between the parties concerned in order to achieve a reasonable distribution thereof as between the Owners and the Charterers having regard, inter alia, to the length of the period remaining under this Charter shall, in the absence of agreement, be referred to the dispute resolution method agreed in Clause 30.

(iii) Financial Security - The Charterers shall maintain financial security or responsibility in respect of third party liabilities as required by any government, including federal, state or municipal or other division or authority thereof, to enable the Vessel, without penalty or charge, lawfully to enter, remain at, or leave any port, place, territorial or contiguous waters of any country, state or municipality in performance of this Charter without any delay. This obligation shall apply whether or not such requirements have been lawfully imposed by such government or division or authority thereof.

The Charterers shall make and maintain all arrangements by bond or otherwise as may be necessary to satisfy such requirements at the Charterers' sole expense and the Charterers shall indemnify the Owners against all consequences whatsoever (including loss of time) for any failure or inability to do so.

(b) Operation of the Vessel - The Charterers shall at their own expense and by their own procurement man, victual, navigate, operate, supply, fuel and, whenever required, repair the Vessel during the Charter Period and they shall pay all charges and expenses of every kind and nature whatsoever incidental to their use and operation of the Vessel under this Charter, including annual flag State fees and any foreign general municipality and/or state taxes. The Master, officers and his crew of the Vessel shall be the servants of the Charterers for all purposes whatsoever, even if for any reason appointed by the Owners. Charterers shall comply with the regulations regarding officers and crew in force in the country of the Vessel's flag or any other applicable law.

(c) The Charterers shall keep the Owners and the mortgagee(s) advised of the intended employment, planned dry docking and major repairs of the Vessel, as reasonably required. See also Additional Clause 60 (Operational notifiable Events).

(d) Flag and Name of Vessel - During the Charter Period, the Charterers shall have the liberty to paint the Vessel in their own colours, install and display their funnel insignia and fly their own house flag. The Charterers shall also have the liberty, with the Owners' consent, which shall not be unreasonably withheld, to change the flag and/or name of the Vessel during the Charter Period. Painting and re-painting, instalment and re-instalment, registration and re-registration, if required by the Owners, shall be at the Charterers' expense and time. See also Additional Clause 40 (Structural changes and alterations) and Additional Clause 53 (Name of Vessel).

(e) Changes to the Vessel - Subject to clause 10(a)(ii), the Charterers shall make no structural changes in the Vessel or changes in the machinery, boilers, appurtenances or spare parts thereof without in each instance first securing the Owners' approval thereof. If the Owners so agree, the Charterers shall, if the Owners so require, restore the Vessel to its former condition before the termination of this Charter.



(f) Use of the Vessel's Outfit, Equipment and Appliances – The Charterers shall have the use of all outfit, equipment, and appliances on board the Vessel at the time of delivery, provided the same or their substantial equivalent shall be returned to the Owners on redelivery in the same good order and condition as when received, ordinary wear and tear expected. The Charterers shall from time to time during the Charter Period replace such items of equipment as shall be so damaged or worn as to be unfit for use. The Charterers are to procure that all repairs to or replacement of any damaged, worn or lost parts or equipment be effected in such manner (both as regards workmanship and quality of materials) as not to diminish the value of the Vessel. The Charterers have the right to fit additional equipment at their expense and risk but title to such additional equipment shall be deemed to have passed to the Owners immediately upon such fitting and the Charterers shall remove such equipment at the end of the period if requested by the Owners. Any equipment including radio equipment on hire on the Vessel at time of delivery shall be kept and maintained by the Charterers and the Charterers shall assume the obligations and liabilities of the Owners under any lease contracts in connection therewith and shall reimburse the Owners for all expenses incurred in connection therewith, also for any new equipment required in order to comply with radio regulations.

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(g) Periodical Dry-Docking – The Charters shall dry-dock the Vessel and clean and paint her underwater parts whenever the same may be necessary, but not less than once during the period stated in Box 19 or, if Box 19 has been left blank, every sixty (60) calendar months after delivery or such other period as may be required by the Classification Society or Flag State.

**11. Hire – See Additional Clause 41 (Hire)**

(a) The Charterers shall pay hire due to the Owners punctually in accordance with the terms of this Charter in respect of which time shall be of the essence.

(b) The Charterers shall pay to the Owners for the hire of the Vessel a lump sum in the amount indicated in Box 22 which shall be payable no later than every thirty (30) running days in advance, the first lump sum being payable on the date and hour of the Vessel's delivery to the Charterers. Hire shall be paid continuously throughout the Charter Period.

(c) Payments of hire shall be made in cash without discount in the currency and in the manner indicated in Box 25 and at the place mentioned in Box 26.

(d) Final payment of hire, if for a period less than thirty (30) running days, shall be calculated proportionally according to the number of days and hours remaining before redelivery and advance payment to be effected accordingly.

(e) Should the Vessel be lost or missing, hire shall cease from the date and time when she was lost or last heard of. The date upon which the Vessel is to be treated as lost or missing shall be ten (10) days after the Vessel was last reported or when the Vessel is posted as missing by Lloyd's, whichever occurs first. Any hire paid in advance to be adjusted accordingly.

(f) Any delay in payment of higher shall entitle the Owners to interest at the rate per annum as agreed in Box 24. If Box 24 has not been filled in, the three months Interbank offered rate in London (LIBOR or its successor) for the currency stated in Box 25, as quoted by the British Bankers' Association (BBA) on the date when the hire fell due, increased by 2 per cent., shall apply.

(g) Payments of interest do under subclause 11(f) shall be made within seven (7) running days of the date of the Owners invoice specifying the amount payable or, in the absence of an invoice, at the time of the next hire payment date.

**12. Mortgage – See Additional Clause 46 (Owners' mortgage) and Additional Clause 49(n) (Further assurance)**

*(only to apply if Box 28 has been appropriately filled in)*

\*) (a) The Owners warrant that they have not effected any mortgage(s) of the Vessel and that they shall not effect any mortgage(s) without the prior consent of the Charterers, which shall not be unreasonably withheld.

\*) (b) The Vessel chartered under this Charter is financed by a mortgage according to the Financial Instrument. The Charterers undertake to comply, and provide such information and documents to enable the Owners to comply, with all such instructions or directions in regard to the employment, insurances, operation, repairs and maintenance of the Vessel as laid down in the Financial Instrument or as may be directed from time to time during the currency of the Charter by the mortgagee(s) in conformity with the Financial Instrument. The Charterers confirm that, for this purpose, they have acquainted themselves with all relevant terms, conditions and provisions of the Financial Instrument and agree to acknowledge this in writing in any form that may be required by the mortgagee(s). The Owners warrant that they have not effected any mortgage(s) other than stated in Box 28 and that they shall not agree to any amendment of the mortgage(s) referred to in Box 28 or effect any other mortgage(s) without the prior consent of the Charterers, which shall not be unreasonably withheld.

\*) *(Optional, Clauses 12(a) and 12(b) are alternatives; indicate alternative agreed in Box 28)*

**13. Insurance and Repairs – See Additional Clause 42 (Insurance)**

(a) During the Charter Period the Vessel shall be kept insured by the Charterers at their expense against hull and machinery, war and Protection and Indemnity risks (and any risks against which it is compulsory to insure for the operation of the Vessel, including maintaining financial security in accordance with sub-clause 10(a)(iii)) in such form as the Owners shall in writing approve, which approval shall not be unreasonably withheld. Such insurances shall be arranged by the Charterers to protect the interests of both the Owners and the Charterers and the mortgagee(s) (if any), and The Charterers shall be at liberty to protect under such insurances the interests of any managers they may appoint. Insurance policies shall cover the Owners and the Charterers according to their respective interests. Subject to the provisions of the Financial Instrument, if any, and the approval of the Owners and the insurers, the Charterers shall effect all insured repairs and shall undertake settlement and reimbursement from the insurers of all costs in connection with such repairs as well as insured charges, expenses and liabilities to the extent of coverage under the insurances herein provided for.

The Charterers also to remain responsible for and to effect repairs and settlement of costs and expenses incurred thereby in respect of all other repairs not covered by the insurances and/or not exceeding any possible franchise(s) or deductibles provided for in the insurance.

All time used for repairs under the provisions of sub-clause 13(a) and for repairs of latent defects according to Clause 3(c) above, including any deviation, shall be the Charterers' account.

(b) If the conditions of the above insurances permit additional insurance to be placed by the parties, such cover shall be limited to the amount for each party set out in Box 30 and Box 31, respectively. The Owners or the Charterers as the case may be shall immediately furnish the other party with particulars of any additional insurance effected, including copies of any cover

notes or policies and the written consent of the insurers of any such required insurance in any case where the consent of such insurers are necessary.

(e) — The Charterers shall upon the request of the Owners, provide information and promptly execute such documents as may be required to enable the Owners to comply with the insurance provisions of the each Financial Instrument.

(d) — Subject to the provisions of the Financial Instrument, if any, should the Vessel become an actual, constructive, compromised or agreed total loss under the insurances required under sub clause 13(a), all insurance payments for such loss shall be paid to the Owners who shall distribute the moneys between the Owners and the Charterers according to their respective interests. The Charterers undertake to notify the Owners and the mortgagee(s), if any, of any occurrences in consequence of which the Vessel is likely to become a total loss as defined in this Clause.

(e) — The Owners shall upon the request of the Charterers, promptly execute such documents as may be required to enable the Charterers to abandon the Vessel to insurers and claim a constructive total loss.

(f) — For the purpose of insurance coverage against hull and machinery and war risks under the provisions of sub clause 13(a), the value of the Vessel is the sum indicated in Box 29.

#### **14. Insurance, Repairs and Classification**

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---

**PART II**  
**“BARECON 2001” Standard Bareboat Charter**

*(Optional, only to apply if expressly agreed and stated in Box 29, in which event Clause 13 shall be considered deleted).*

(a) — During the Charter Period the Vessel shall be kept insured by the Owners at their expense against hull and machinery and war risks under the form of policy or policies attached hereto. The Owners and/or insurers shall not have any right of recovery or subrogation against the Charterers on account of loss of or any damage to the Vessel or her machinery or appurtenances covered by such insurance, or on account of payments made to discharge claims against or liabilities of the Vessel or the Owners covered by such insurance. Insurance policies shall cover the Owners and the Charterers according to their respective interests.

(b) — During the Charter Period the Vessel shall be kept insured by the Charterers at their expense against Protection and Indemnity risks (and any risks against which it is compulsory to insure for the operation of the Vessel, including maintaining financial security in accordance with sub-clause 10(a)(iii)) in such form as the Owners shall in writing approve which approval shall not be unreasonably withheld.

(c) — In the event that any act or negligence of the Charterers shall vitiate any of the insurance herein provided, the Charterers shall pay to the Owners all losses and indemnify the Owners against all claims and demands which would otherwise have been covered by such insurance.

(d) — The Charterers shall, subject to the approval of the Owners or Owners' Underwriters, effect all insured repairs, and the Charterers shall undertake settlement of all miscellaneous expenses in connection with such repairs as well as all insured charges, expenses and liabilities to the extent of coverage under the insurances provided for under the provisions of sub-clause 14(a). The Charterers to be secured reimbursement through the Owners' Underwriters for such expenditures upon presentation of accounts.

(e) — The Charterers to remain responsible for and to effect repairs and settlement of costs and expenses incurred thereby in respect of all other repairs not covered by the insurances and/or not exceeding any possible franchise(s) or deductibles provided for in the insurances.

(f) — All time used for repairs under the provisions of sub-clauses 14(d) and 14(e) and for repairs of latent defects according to Clause 3 above, including any deviation, shall be for the Charterers' account and shall form part of the Charter Period. The Owners shall not be responsible for any expenses — as are incident to the use and operation of the Vessel for such time as may be required to make such repairs.

(g) — If the conditions of the above insurances permit additional insurance to be placed by the parties such cover shall be limited to the amount for each party set out in Box 30 and Box 31, respectively. The Owners or the Charterers as the case may be shall immediately furnish the other party with particulars of any additional insurance effected, including copies of any cover notes or policies and the written consent of the insurers of any such required insurance in any case where the consent of such insurers is necessary.

(h) — Should the Vessel become an actual, constructive, compromised or agreed total loss under the insurances required under sub-clause 14(a), all insurance payments for such loss shall be paid to the Owners, who shall distribute the moneys between themselves and the Charterers according to their respective interests.

(i) — If the Vessel becomes an actual, constructive, compromised or agreed total loss under the insurances arranged by the Owners in accordance with sub-clause 14(a), this Charter shall terminate as of the date of such loss.

(j) — The Charterers shall upon the request of the Owners, promptly execute such documents as may be required to enable the Owners to abandon the Vessel to the insurers and claim a constructive total loss.

(k) — For the purpose of insurance coverage against hull and machinery and war risks under the provisions of sub-clause 14(a), the value of the Vessel is the sum indicated in Box 29.

(l) — Notwithstanding anything contained in sub-clause 10(a), it is agreed that under the provisions of Clause 14, if applicable, the Owners shall keep the Vessel's Class fully up to date with the Classification Society indicated in Box 10 and maintain all other necessary certificates in force at all times.

**15. Redelivery – See Additional Clause 43 (Redelivery and Additional Clause 44 (Redelivery Conditions))**

At the expiration of the Charter Period the Vessel shall be redelivered by the Charterers to the Owners at a safe and ice-free port or place as indicated in Box 16, in such ready safe berth as the Owners may direct. The Charterers shall give the Owners not less than thirty (30) running days' preliminary notice of expected date, range of ports of redelivery or port or place of redelivery and not less than fourteen (14) running days' definite notice of expected date and port or place of redelivery. Any changes thereafter in the Vessel's position shall be notified immediately to the Owners.

The Charterers warrant that they will not permit the Vessel to commence a voyage (including any preceding ballast voyage) which cannot reasonably be expected to be completed in time to allow redelivery of the Vessel within the Charter Period.

Notwithstanding the above, should the Charterers fail to redeliver the Vessel within The Charter Period, the Charterers shall pay the daily equivalent to the rate of hire stated in Box 22 plus 10 per cent. or to the market rate, whichever is the higher, for

~~the number of days by which the Charter Period is exceeded. All other terms, conditions and provisions of this Charter shall continue to apply.~~

~~Subject to the provisions of Clause 10, the Vessel shall be redelivered to the Owners in the same or as good structure, state, condition and class as that in which she was delivered, fair wear and tear not affecting class excepted.~~

~~The Vessel upon redelivery shall have her survey cycles up to date and trading and class certificates valid for at least the number of months agreed in Box 17.~~

**16. Non-Lien**

The Charterers will not suffer, nor permit to be continued, any lien or encumbrance incurred by them or their agents, which might have priority over the title and interest of the Owners in the Vessel. The Charterers further agree to fasten to the Vessel in a conspicuous place and to keep so fastened during the Charter Period a notice reading as follows:

“This Vessel is the property of (name of Owners). It is under charter to (name of Charterers) and by the terms of the Charter Party neither the Charterers nor the Master have any right, power or authority to create, incur or permit to be imposed on the Vessel any lien whatsoever.”

**17. Indemnity - See also Additional Clause 61 (Further indemnities).**

(a) The Charterers shall indemnify the Owners against any loss, damage or expense (including, without limitation, legal expense) incurred by the Owners arising out of or in relation to a breach of this charter and/or the operation of the Vessel by the Charterers, and against any lien of whatsoever nature arising out of an event occurring during the Charter Period. If the Vessel be arrested or otherwise detained by reason of claims or liens arising out of her operation hereunder by the Charterers, the Charterers shall at their own expense take all reasonable steps to

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---

**PART II**  
**“BARECON 2001” Standard Bareboat Charter**

secure that within a reasonable time the Vessel is released, including the provision of bail.

Without prejudice to the generality of the foregoing, the Charterers agree to indemnify the Owners against all consequences or liabilities arising from the Master, officers or agents signing Bills of Lading or other documents.

(b) If the Vessel be arrested or otherwise detained by reason of a claim or claims against the Owners, the Owners shall at their own expense take all reasonable steps to secure that within a reasonable time the Vessel is released, including the provision of bail.

In such circumstances the Owners shall indemnify the Charterers against any loss, damage or expense incurred by the Charterers (including hire paid under this Charter) as a direct consequence of such arrest or detention.

**18. Lien**

~~The Owners to have a lien upon all cargoes, sub-hires and sub-freights belonging or due to the Charterers or any sub-charterers and any Bill of Lading freight for all claims under this Charter, and the Charterers to have a lien on the Vessel for all moneys paid in advance and not earned.~~

**19. Salvage**

All salvage and towage performed by the Vessel shall be for the Charterers' benefit and the cost of repairing damage occasioned thereby shall be borne by the Charterers.

**20. Wreck Removal**

In the event of the Vessel becoming a wreck or obstruction to navigation the Charterers shall indemnify the Owners against any sums whatsoever which the Owners shall become liable to pay and shall pay in consequence of the Vessel becoming a wreck or obstruction to navigation.

**21. General Average**

The Owners shall not contribute to General Average.

**22. Assignment, Sub-Charter and Sale – See Additional Clause 52 (Sub-chartering and assignment)**

(a) ~~The Charterers shall not assign this Charter nor sub-charter the Vessel on a bareboat basis except with the prior consent in writing of the Owners, which shall not be unreasonably withheld, and subject to such terms and conditions as the Owners shall approve.~~

(b) ~~The Owners shall not sell the Vessel during the currency of this Charter, except with the prior written consent of the Charterers, which shall not be unreasonably withheld, and subject to the buyer accepting an assignment of this Charter.~~

**23. Contracts of Carriage**

\*) (a) The Charterers are to procure that all documents issued during the Charter Period evidencing the terms and conditions agreed in respect of carriage of goods shall contain a paramount clause incorporating any legislation relating to carrier's liability for cargo compulsorily applicable in the trade; if no such legislation exists, the documents shall incorporate the Hague-Visby Rules. The documents shall also contain the New Jason Clause and the Both-to-Blame Collision Clause.

\*) (b) ~~The Charterers are to procure that all passenger tickets issued during the Charter Period for the carriage of passengers and their luggage under this Charter shall contain a paramount clause incorporating any legislation relating to carrier's liability for passengers and their luggage compulsorily applicable in the trade; if no such legislation exists, the passenger tickets shall incorporate the Athens Convention Relating to the Carriage of Passengers and their Luggage by Sea, 1974, and any protocol thereto.~~

\*) ~~Delete as applicable.~~

**24. Bank Guarantee**

*(Optional, only to apply if Box 27 filled in)*

The Charterers undertake to furnish, before delivery of the Vessel, a corporate guarantees from Flex LNG Ltd. and a corporate guarantee from Flex LNG Fleet Limited first-class bank guarantee or bond in the sum and at the place as indicated in Box 27 as guarantee, for full performance of their obligations under this Charter.

**25. Requisition/Acquisition**

(a) In the event of the Requisition for Hire of the Vessel by any governmental or other competent authority (hereinafter referred to as "Requisition for Hire") irrespective of the date during the Charter Period when "Requisition for Hire" may occur and irrespective of the length thereof and whether or not it be for an indefinite or a limited period of time, and irrespective of whether it may or will remain in force for the remainder of the Charter Period, this Charter shall not be deemed thereby or thereupon to be frustrated or otherwise terminated and the Charterers shall continue to pay the stipulated hire in the manner provided by this Charter until the time when the Charter would have terminated pursuant to any of the provisions hereof always provided however that in the event of "Requisition for Hire" any Requisition Hire or compensation received or receivable by

the Owners shall be payable to the Charterers during the remainder of the Charter Period or the period of the "Requisition for Hire" whichever be the shorter.

(b) ~~In the event of the Owners being deprived of their ownership in the Vessel by any Compulsory Acquisition of the Vessel or requisition for title by any governmental or other competent authority (hereinafter referred to as "Compulsory Acquisition"), then, irrespective of the date during the Charter Period when "Compulsory Acquisition" may occur, this Charter shall be deemed terminated as of the date of such "Compulsory Acquisition". In such event Charter Hire to be considered as earned and to be paid up to the date and time of such "Compulsory Acquisition".~~

**26. War**

(a) For the purpose of this Clause, the words "War Risks" shall include any war (whether actual or threatened), act of war, civil war, hostilities, revolution, rebellion, civil commotion, warlike operations, the laying of mines (whether actual or reported), acts of piracy, acts of terrorists, acts of hostility or malicious damage, blockades (whether imposed against all vessels or imposed selectively against vessels of certain flags or ownership, or against certain cargoes or crews or otherwise howsoever), by any person, body, terrorist or political group, or the Government of any state whatsoever, which may be dangerous or are likely to be or to become dangerous to the Vessel, her cargo, crew or other persons on board the Vessel.

(b) The Vessel, unless the written consent of the Owners be first obtained, shall not continue to or go through any port, place, area or zone (whether of land or sea), or any waterway or canal, where it reasonably appears that the Vessel, her cargo, crew or other persons on board the Vessel, in the reasonable judgement of the Owners, may be, or are likely to be, exposed to War Risks. Should the Vessel be within any such place as aforesaid, which only becomes dangerous, or is likely to be or to become dangerous, after her entry into it, the Owners shall have the right to require the Vessel to leave such area.

(c) The Vessel shall not load contraband cargo, or to pass through any blockade, whether such blockade be imposed on all vessels, or is imposed selectively in any way whatsoever against vessels of certain flags or ownership, or against certain cargoes or crews or

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---

**PART II**  
**“BARECON 2001” Standard Bareboat Charter**

otherwise howsoever, or to proceed to an area where she shall be subject, or is likely to be subject to a belligerent's right of search and/or confiscation.

- (d) If the insurers of the war risks insurance, when Clause 14 is applicable, should require payment of premiums and/or calls because, pursuant to the Charterers' orders, the Vessel is within, or is due to enter and remain within, any area or areas which are specified by such insurers as being subject to additional premiums because of War Risks, then such premiums and/or calls shall be reimbursed by the Charterers to the Owners at the same time as the next payment of hire is due.
- (e) The Charterers shall have the liberty:
- (i) to comply with all orders, directions, recommendations or advice as to departure, arrival, routes, sailing in convoy, ports of call, stoppages, destinations, discharge of cargo, delivery, or in any other way whatsoever, which are given by the Government of the Nation under whose flag the Vessel sails, or any other Government, body or group whatsoever acting with the power to compel compliance with their orders or directions;
  - (ii) to comply with the orders, directions or recommendations of any war risks underwriters who have the authority to give the same under the terms of the war risks insurance;
  - (iii) to comply with the terms of any resolution of the Security Council of the United Nations, any directives of the European Community, the effective orders of any other Supranational body which has the right to issue and give the same, and with national laws aimed at enforcing the same to which the Owners are subject, and to obey the orders and directions of those who are charged with their enforcement.
- (f) ~~In the event of outbreak of war (whether there be a declaration of war or not) (i) between any two or more of the following countries: the United States of America; Russia; the United Kingdom; France; and the People's Republic of China, (ii) between any two or more of the countries stated in Box 36, both the Owners and the Charterers shall have the right to cancel this Charter, whereupon the Charterers shall redeliver the Vessel to the Owners in accordance with Clause 15, if the Vessel has cargo on board after discharge thereof at destination, or if debarred under this Clause from reaching or entering it at a near, open and safe port as directed by the Owners, or if the Vessel has no cargo on board, at the port at which the Vessel then is or if at sea at a near, open and safe port as directed by the Owners. In all cases hire shall continue to be paid in accordance with Clause 11 and except as aforesaid all other provisions of this Charter shall apply until redelivery.~~

**27. Commission**

The Owners to pay a commission at the rate indicated in Box 33 to the Brokers named in Box 33 on any hire paid under the Charter. If no rate is indicated in Box 33, the commission to be paid by the Owners shall cover the actual expenses of the Brokers and a reasonable fee for their work.

If the full hire is not paid owing to breach of the Charter by either of the parties the party liable therefor shall indemnify the Brokers against their loss of commission. Should the parties agree to cancel the Charter, the Owners shall indemnify the Brokers against any loss of commission but in such case the commission shall not exceed the brokerage on one year's hire.

**28. Termination – See Additional Clause 61 (Termination Events) and Additional Clause 57 (Total Loss)**

**(a) —Charterers' Default**

The Owners shall be entitled to withdraw the Vessel from the service of the Charterers and terminate the Charter with immediate effect by written notice to the Charterers if:

- (i) the Charterers fail to pay hire in accordance with Clause 11. However, where there is a failure to make punctual payment of hire due to oversight, negligence, errors or omissions on the part of the Charterers or their bankers, the Owners shall give the Charterers written notice of the number of clear banking days stated in Box 34 (as recognised at the agreed place of payment) in which to rectify the failure, and when so rectified within such number of days following the Owners' notice, the payment shall stand as regular and punctual. Failure by the Charterers to pay hire within the number of days stated in Box 34 of their receiving the Owners' notice as provided herein, shall entitle the Owners to withdraw the Vessel from the service of the Charterers and terminate the Charter without further notice;
- (ii) the Charterers fail to comply with the requirements of:
  - (1) Clause 6 (Trading Restrictions)
  - (2) Clause 13(a) (Insurance and Repairs)provided that the Owners shall have the option, by written notice to the Charterers, to give the Charterers a specified number of days grace within which to rectify the failure without prejudice to the Owners' right to withdraw and terminate under this Clause if the Charterers fail to comply with such notice;
- (iii) the Charterers fail to rectify any failure to comply with the requirements of sub-clause 10(a)(i) (Maintenance and Repairs) as soon as practically possible after the Owners have requested them in writing so to do and in any event so that the Vessel's insurance cover is not prejudiced.

**(b) —Owners' Default**

If the Owners shall by any act or omission be in breach of their obligations under this Charter to the extent that the Charterers are deprived of the use of the Vessel and such breach continues for a period of fourteen (14) running days after written notice



thereof has been given by the Charterers to the Owners, the Charterers shall be entitled to terminate this Charter with immediate effect by written notice to the Owners.

(e)—Loss of Vessel

This Charter shall be deemed to be terminated if the Vessel becomes a total loss or is declared as a constructive or compromised or arranged total loss. For the purpose of this sub-clause, the Vessel shall not be deemed to be lost unless she has either become an actual total loss or agreement has been reached with her underwriters in respect of her constructive, compromised or arranged total loss or if such agreement with her underwriters is not reached it is adjudged by a competent tribunal that a constructive loss of the Vessel has occurred.

(d)— Either party shall be entitled to terminate this Charter with immediate effect by written notice to the other party in the event of an order being made or resolution passed for the winding up, dissolution, liquidation or bankruptcy of the other party (otherwise than for the purpose of reconstruction or amalgamation) or if a receiver is appointed, or if it suspends payment, ceases to carry on business or makes any special arrangement or composition with its creditors.

(e)— The termination of this Charter shall be without prejudice to all rights accrued due between the parties prior to the date of termination and to any claim that either party might have.

**29. Repossession**

In the event of the termination of this Charter in accordance with the applicable provisions of Clause 28, the Owners shall have the right to repossess the Vessel from the Charterers at her current or next port of call, or at a port or place convenient to them without hindrance

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**PART II**  
**“BARECON 2001” Standard Bareboat Charter**

or interference by the Charterers, courts or local authorities. Pending physical repossession of the Vessel in accordance with this Clauses 29, the Charterers shall hold the Vessel as gratuitous bailee only to the Owners. The Owners shall arrange for an authorised representative to board the Vessel as soon as reasonably practicable following the termination of the Charter. The Vessel shall be deemed to be repossessed by the Owners from the Charterers upon the boarding of the Vessel by the Owners' representative. All arrangements and expenses relating to the settling of wages, disembarkation and repatriation of the Charterers' Master, officers and crew shall be the sole responsibility of the Charterers.

**30. Dispute Resolution – See Additional Clause 77 (Law and jurisdiction)**

\*) (a) — This Contract shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Contract shall be referred to arbitration in London in accordance with the Arbitration Act or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause. The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced. The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within 14 calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the 14 days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the 14 days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both parties as if he had been appointed by agreement. Nothing herein shall prevent the parties agreeing in writing to vary these provisions to provide for the appointment of a sole arbitrator.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

\*) (b) — This Contract shall be governed by and construed in accordance with Title 9 of the United States Code and the Maritime Law of the United States and any dispute arising out of or in connection with this Contract shall be referred to three persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgement may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$50,000 (or such other sum as the parties may agree) the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc. current at the time when the arbitration proceedings are commenced.

\*) (c) — This Contract shall be governed by and construed in accordance with the laws of the place mutually agreed by the parties and any dispute arising out of or in connection with this Contract shall be referred to arbitration at a mutually agreed place, subject to the procedures applicable there.

(d) — Notwithstanding (a), (b) or (c) above, the parties may agree at any time to refer to mediation any difference and/or dispute arising out of or in connection with this Contract.

In the case of a dispute in respect of which arbitration has been commenced under (a), (b) or (c) above, the following shall apply:-

- (i) Either party may at any time and from time to time elect to refer the dispute or part of the dispute to mediation by service on the other party of a written notice (the "Mediation Notice") calling on the other party to agree to mediation.
- (ii) The other party shall thereupon within 14 calendar days of receipt of the Mediation Notice confirm that they agree to mediation, in which case the parties shall thereafter agree a mediator within a further 14 calendar days, failing which on the application of either party a mediator will be appointed promptly by the Arbitration Tribunal ("the Tribunal") or such person as the Tribunal may designate for that purpose. The mediation shall be conducted in such place and in accordance with such procedure and on such terms as the parties may agree or, in the event of disagreement, as may be set by the mediator.
- (iii) If the other party does not agree to mediate, that fact may be brought to the attention of the Tribunal and may be taken into account by the Tribunal when allocating the costs of the arbitration as between the parties.
- (iv) The mediation shall not affect the right of either party to seek such relief or take such steps as it considers necessary to protect its interest.
- (v) Either party may advise the Tribunal that they have agreed to mediation. The arbitration procedure shall continue during the conduct of the mediation but the Tribunal may take the mediation timetable into account when setting the timetable for steps in the arbitration.

- (vi) Unless otherwise agreed or specified in the mediation terms, each party shall bear its own costs incurred in the mediation and the parties shall share equally the mediator's costs and expenses.
- (vii) The mediation process shall be without prejudice and confidential and no information or documents disclosed during it shall be revealed to the Tribunal except to the extent that they are disclosable under the law and procedure governing the arbitration.

*(Note: The parties should be aware that the mediation process may not necessarily interrupt time limits.)*

(e) If Box 35 in Part I is not appropriately filled in, sub-clause 30(a) of this Clause shall apply. ~~Sub-clause 30(d)~~ shall apply in all cases.

*\*) ~~Sub-clauses 30(a), 30(b) and 30(c)~~ are alternatives;  
indicate alternative agreed in Box 35.*

**31. Notices -- See Additional Clause 71**

(a) Any notice to be given by either party to the other party shall be in writing and may be sent by fax, telex, registered or recorded mail or by personal service.

(b) The address of the Parties for service of such communication shall be as stated in Boxes 3 and 4 respectively.

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**PART III**  
**PROVISIONS TO APPLY FOR NEWBUILDING VESSELS ONLY**  
*(Optional, only to apply if expressly agreed and stated in Box 37)*

**1. Specifications and Building Contract**

- (a) The Vessel shall be constructed in accordance with the Building Contract (hereafter called the Building Contract") as annexed to this Charter, made between the Builders and the Owners and in accordance with the specifications and plans annexed thereto, such Building Contract, specifications and plans having been counter-signed as approved by the Charterers.
- (b) No change shall be made in the Building Contract or in the specifications or plans of the Vessel as approved by the Charterers as aforesaid, without the Charterers' consent.
- (c) The Charterers shall have the right to send their representative to the Builders' Yard to inspect the Vessel during the course of her construction to satisfy themselves that construction is in accordance with such approved specifications and plans as referred to under sub-clause (a) of this Clause.
- (d) The Vessel shall be built in accordance with the Building Contract and shall be of the description set out therein. Subject to the provisions of sub-clause 2(c)(ii) hereunder, the Charterers shall be bound to accept the Vessel from the Owners, completed and constructed in accordance with the Building Contract, on the date of delivery by the Builders. The Charterers undertake that having accepted the Vessel they will not thereafter raise any claims against the Owners in respect of the Vessel's performance or specification or defects, if any. Nevertheless, in respect of any repairs, replacements or defects which appear within the first 12 months from delivery by the Builders, the Owners shall endeavour to compel the Builders to repair, replace or remedy any defects or to recover from the Builders any expenditure incurred in carrying out such repairs, replacements or remedies. However, the Owners' liability to the Charterers shall be limited to the extent the Owners have a valid claim against the Builders under the guarantee clause of the Building Contract (a copy whereof has been supplied to the Charterers). The Charterers shall be bound to accept such sums as the Owners are reasonably able to recover under this Clause and shall make no further claim on the Owners for the difference between the amount(s) so recovered and the actual expenditure on repairs, replacement or remedying defects or for any loss of time incurred. Any liquidated damages for physical defects or deficiencies shall accrue to the account of the party stated in Box 41(a) or if not filled in shall be shared equally between the parties. The costs of pursuing a claim or claims against the Builders under this Clause (including any liability to the Builders) shall be borne by the party stated in Box 41(b) or if not filled in shall be shared equally between the parties.

**2. Time and Place of Delivery**

- (a) Subject to the Vessel having completed her acceptance trials including trials of cargo equipment in accordance with the Building Contract and specifications to the satisfaction of the Charterers, the Owners shall give and the Charterers shall take delivery of the Vessel afloat when ready for delivery and properly documented at the Builders' Yard or some other safe and readily accessible dock, wharf or place as may be agreed between the parties hereto and the Builders. Under the Building Contract the Builders have estimated that the Vessel will be ready for delivery to the Owners as therein provided but the delivery date for the purpose of this Charter shall be the date when the Vessel is in fact ready for delivery by the Builders after completion of trials whether that be before or after as indicated in the Building Contract. The Charterers shall not be entitled to refuse acceptance of delivery of the Vessel and upon and after such acceptance, subject to Clause 1(d), the Charterers shall not be entitled to make any claim against the Owners in respect of any conditions, representations or warranties, whether express or implied, as to the seaworthiness of the Vessel or in respect of delay in delivery.
- (b) If for any reason other than a default by the Owners under the Building Contract, the Builders become entitled under that Contract not to deliver the Vessel to the Owners, the Owners shall upon giving to the Charterers written notice of Builders becoming so entitled, be excused from giving delivery of the Vessel to the Charterers and upon receipt of such notice by the Charterers this Charter shall cease to have effect.
- (c) If for any reason the Owners become entitled under the Building Contract to reject the Vessel the Owners shall, before exercising such right of rejection, consult the Charterers and thereupon
- (i) if the Charterers do not wish to take delivery of the Vessel they shall inform the Owners within seven (7) running days by notice in writing and upon receipt by the Owners of such notice this Charter shall cease to have effect; or
- (ii) if the Charterers wish to take delivery of the Vessel they may by notice in writing within seven (7) running days require the Owners to negotiate with the Builders as to the terms on which delivery should be taken and/or refrain from exercising their right to rejection and upon receipt of such notice the Owners shall commence such negotiations and/or take delivery of the Vessel from the Builders and deliver her to the Charterers;
- (iii) in no circumstances shall the Charterers be entitled to reject the Vessel unless the Owners are able to reject the Vessel from the Builders;

(iv) if this Charter terminates under sub-clause (b) or (c) of this Clause, the Owners shall thereafter not be liable to the Charterers for any claim under or arising out of this Charter or its termination.

(d) —Any liquidated damages for delay in delivery under the Building Contract and any costs incurred in pursuing a claim therefor shall accrue to the account of the party stated in Box 41(c) or if not filled in shall be shared equally between the parties.

**3. Guarantee Works**

If not otherwise agreed, the Owners authorise the Charterers to arrange for the guarantee works to be performed in accordance with the building contract terms, and hire to continue during the period of guarantee works. The Charterers have to advise the Owners about the performance to the extent the Owners may request.

**4. Name of Vessel**

The name of the Vessel shall be mutually agreed between the Owners and the Charterers and the Vessel shall be painted in the colours, display the funnel insignia and fly the house flag as required by the Charterers.

**5. Survey on Redelivery**

The Owners and the Charterers shall appoint surveyors for the purpose of determining and agreeing in writing the condition of the Vessel at the time of re-delivery. Without prejudice to Clause 15 (Part II), the Charterers shall bear all survey expenses and all other costs, if any, including the cost of docking and undocking, if required, as well as all repair costs incurred. The Charterers shall also bear all loss of time spent in connection with any docking and undocking as well as repairs, which shall be paid at the rate of hire per day or pro rata.

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**PART IV  
HIRE/PURCHASE AGREEMENT**

*(Optional, only to apply if expressly agreed and stated in Box 42)*

On expiration of this Charter and provided the Charterers have fulfilled their obligations according to Part I and II as well as Part III, if applicable, it is agreed, that on payment of the final payment of hire as per Clause 11 the Charterers have purchased the Vessel with everything belonging to her and the Vessel is fully paid for.

*In the following paragraphs the Owners are referred to as the Sellers and the Charterers as the Buyers.*

The Vessel shall be delivered by the Sellers and taken over by the Buyers on expiration of the Charter.

The Sellers guarantee that the Vessel, at the time of delivery, is free from all encumbrances and maritime liens or any debts whatsoever other than those arising from anything done or not done by the Buyers or any existing mortgage agreed not to be paid off by the time of delivery. Should any claims, which have been incurred prior to the time of delivery be made against the Vessel, the Sellers hereby undertake to indemnify the Buyers against all consequences of such claims to the extent it can be proved that the Sellers are responsible for such claims. Any taxes, notarial, consular and other charges and expenses connected with the purchase and registration under Buyers' flag, shall be for Buyers' account. Any taxes, consular and other charges and expenses connected with closing of the Sellers' register, shall be for Sellers' account.

In exchange for payment of the last month's hire instalment the Sellers shall furnish the Buyers with a Bill of Sale duly attested and legalized, together with a certificate setting out the registered encumbrances, if any. On delivery of the Vessel the Sellers shall provide for deletion of the Vessel from the Ship's Register and deliver a certificate of deletion to the Buyers. The Sellers shall, at the time of delivery, hand to the Buyers all classification certificates (for hull, engines, anchors, chains, etc.), as well as all plans which may be in Sellers' possession.

The Wireless Installation and Nautical Instruments, unless on hire, shall be included in the sale without any extra payment.

The Vessel with everything belonging to her shall be at Sellers' risk and expense until she is delivered to the Buyers, subject to the conditions of this Contract and the Vessel with everything belonging to her shall be delivered and taken over as she is at the time of delivery, after which the Sellers shall have no responsibility for possible faults or deficiencies of any description.

The Buyers undertake to pay for the repatriation of the Master, officers and other personnel if appointed by the Sellers to the port where the Vessel entered the Bareboat Charter as per Clause 3 (Part II) or to pay the equivalent cost for their journey to any other place.

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**PART V**  
**PROVISIONS TO APPLY FOR VESSELS REGISTERED IN BAREBOAT CHARTER REGISTRY**  
*(Optional, only to apply if expressly agreed and stated in Box 43)*

**1. Definitions**

For the purpose of this PART V, the following terms shall have the meanings hereby assigned to them: "The Bareboat Charter Registry" shall mean the registry of the State whose flag the Vessel will fly and in which the Charterers are registered as the bareboat charterers during the period of the Bareboat Charter.

"The Underlying Registry" shall mean the registry of the State in which the Owners of the Vessel are registered as Owners and to which jurisdiction and control of the Vessel will revert upon termination of the Bareboat Charter Registration.

**2. Mortgage**

The Vessel chartered under this Charter is financed by a mortgage and the provisions of Clause 12(b) (Part II) shall apply.

**3. Termination of Charter by Default**

If the Vessel chartered under this Charter is registered in a Bareboat Charter Registry as stated in Box 44, and if the Owners shall default in the payment of any amounts due under the mortgage(s) specified in Box 28, the Charterers shall, if so required by the mortgagee, direct the Owners to re-register the Vessel in the Underlying Registry as shown in Box 45.

In the event of the Vessel being deleted from the Bareboat Charter Registry as stated in Box 44, due to a default by the Owners in the payment of any amounts due under the mortgage(s), the Charterers shall have the right to terminate this Charter forthwith and without prejudice to any other claim they may have against the Owners under this Charter.

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**ADDITIONAL CLAUSES**  
**TO BAREBOAT CHARTER FOR**  
**“FLEX RAINBOW”**  
**(IMO NO. 9709037)**

**CONTENT**

32.	Definitions	3
33.	Interpretations	17
34.	Background	18
35.	Pre-delivery and delivery	19
36.	Construction and supervision	21
37.	Conditions precedent	22
38.	Bunkers and luboils	25
39.	Further maintenance and operation	26
40.	Structural changes and alterations	27
41.	Hire	28
42.	Insurance	33
43.	Redelivery	38
44.	Redelivery conditions	39
45.	Diver's inspection at redelivery	40
46.	Owners' mortgage	41
47.	Transport documents	43
48.	Charterers' representations and warranties	43
49.	Charterers' undertakings	47
50.	Earnings Account	56
51.	Termination Events	56
52.	Sub-chartering and assignment	62
53.	Name of Vessel	63
54.	Charter Period	63
55.	Purchase Option and transfer of title	63
56.	Sale of Vessel by the Owners	64
57.	Total Loss	64
58.	Fees and expenses	65
59.	Stamp duties and taxes	66
60.	Operational notifiable events	66
61.	Further indemnities	66
62.	Set-off	68
63.	Further assurances and undertakings	69
64.	Cumulative rights	69
65.	Day count convention	69
66.	No waiver	69
67.	Entire agreement	69
68.	Invalidity	69
69.	English language	70
70.	No partnership	70
71.	Notices	70
72.	Conflicts	71
73.	Survival of Charterers' obligations	71
74.	Counterparts	71
75.	Confidentiality	71
76.	Third Parties Act	72
77.	Law and jurisdiction	72
78.	Conditions subsequent	73



79.	FATCA	73
	SCHEDULE 1 FORM OF PROTOCOL OF DELIVERY AND ACCEPTANCE	77
	SCHEDULE 2 FORM OF TITLE TRANSFER PROTOCOL OF DELIVERY AND ACCEPTANCE	78
	SCHEDULE 3 HIRE PAYMENT SCHEDULE	79
	SCHEDULE 4 SCHEDULE OF PURCHASE OPTION PRICE	80

## 32. Definitions

In this Charter:

“**Account Bank**” means DNB Bank ASA (or such other bank or financial institution in Norway as selected or designated by the Owners from time to time).

“**Account Charge**” means the account security agreement in respect of the Earnings Account and all amounts from time to time standing to the credit to the Earnings Account from the Charterers in favour of the Owners.

“**Actual Owners’ Costs**” means the Purchase Price (as defined in the MOA) less the Advance Hire settled in accordance with Clause 41(a)(i).

“**Advance Hire**” means the amounts payable pursuant to Clause 41(a)(i) (*Hire*).

“**Affiliate**” means, in relation to any entity, a Subsidiary of that entity, a Holding Company of that entity or any other Subsidiary of that Holding Company.

“**Agreement Term**” means the period commencing on the date of this Charter and terminating on the expiration of the Charter Period or such earlier or later date on which all money of any nature owed by the Obligors to the Owners under the Transaction Documents or otherwise in connection with the Vessel have been paid in full to the Owners and no obligations of the Obligors of any nature to the Owners or otherwise in connection with the Transaction Documents or with the Vessel remain unperformed or undischarged.

“**Applicable Rate**” in respect of an Applicable Rate Period, the LIBOR notified by the Owners on the relevant Applicable Rate Determination Date to be (which is expressed as a percentage rate per annum) the rate which applies to all Unpaid Sums (including any Hire) for that Applicable Rate Period.

“**Applicable Rate Determination Date**” means, in respect of an Applicable Rate Period, the day falling ten (10) Business Days before the first day of that Applicable Rate Period.

“**Applicable Rate Period**” means each period comprising of one (1) Hire Period, with the first Applicable Rate Period commencing on the first Hire Payment Date.

“**Approved Broker**” means each of Arrow Sale & Purchase (UK) Limited, Braemar ACM Shipbroking, Clarkson Platou, Maersk Broker A/S, Fearnleys, Lorentzen & Stemoco, Grieg Shipbrokers, Vessels Value and any other reputable and independent ship brokers acceptable to the Owners and appointed by the Charterers.

“**Approved Manager**” means Bernhard Schulte Shipmanagement (Isle of Man) Limited in respect of technical management of the Vessel and FLEX LNG Management Ltd. in respect of commercial management of the Vessel or any other management company reasonably acceptable to the Owners and appointed by the Charterers.

“**Assumed Owners’ Cost**” means US Dollars one hundred fifty seven million and five hundred thousand (US\$157,500,000).

“**Authorisation**” means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

“**Break Costs**” means all costs, losses, premiums or penalties (excluding the Margin) incurred by the Owners as a result of the receipt by the Owners of any payment under or in relation to the Transaction Documents on a day other than the due date for payment of the sum in question.

“**Builders**” means Samsung Heavy Industry Co., Ltd., a company incorporated and existing under the laws of the Republic of Korea, having its registered office at 1321-15, Seocho- Dong, Seocho-Gu, Seoul, South Korea 137-857.

“**Building Contract**” means the shipbuilding contract in respect of the Vessel dated 31 August 2013 made between the Builders and the Original Buyers, as amended, modified and supplemented from time to time.

“**Business Day**” means a day (other than a Saturday or Sunday) on which banks and financial markets are open for business in Shanghai, Oslo and New York and on a day when LIBOR is calculated, London.

“**Cancellation Date**” means the “Cancelling Date” as set out in the MOA (for the avoidance of doubt, as the same may be extended from time to time).

“**Change of Control**” means the occurrence of any of the following events:

- (a) Charter Guarantor 1 ceases to own, directly or indirectly, at least 70 per cent of the shares in the Charterers; and
- (b) John Fredriksen Family through Geveran Trading Co. Ltd. ceases to directly own at least 25% of the shares and voting rights of Charter Guarantor 1.

“**Charter Group**” means the Charterers, the Charter Guarantor and all its Subsidiaries from time to time, and a “**member of the Charter Group**” means any one of them.

“**Charter Guarantee 1**” means the guarantee made or to be made by the Charter Guarantor 1 in favour of the Owners in respect of the Charterers’ obligations under this Charter.

“**Charter Guarantee 2**” means the guarantee made or to be made by the Charter Guarantor 2 in favour of the Owners in respect of the Charterers’ obligations under this Charter.

“**Charter Guarantees**” means Charter Guarantee 1 and Charter Guarantee 2, and “**Charter Guarantee**” means each or any of them.

“**Charter Guarantor 1**” means Flex LNG Ltd., a company incorporated and existing under the laws of Bermuda, having its registered office at Par-La-Ville Place, 14 Par-La-Ville Road, Hamilton, Bermuda.

“**Charter Guarantor 2**” means the Shareholder.

“**Charter Guarantors**” means Charter Guarantor 1 and Charter Guarantor 2, and “**Charter Guarantor**” means each or any of them.

“**Charter Period**” means, subject to Clauses 41 (*Hire*), 51 (*Termination Events*), 56 (*Sale of the Vessel by the Owners*) and 57 (*Total Loss*), the period of ten (10) years commencing from the Delivery Date.

“**Charterers’ Assignment**” means the deed of assignment executed or to be executed (as the case may be) by the Charterers in favour of the Owners in relation to certain of the Charterers’ rights and interest in and to the (a) Earnings, (b) Insurances, (c) Requisition Compensation and (d) any Sub-Charter.

“**Classification Society**” means the vessel classification society referred to in Box 10 (*Classification Society*) of this Charter, or DNV GL, Lloyd’s Register of Shipping (LR), Bureau Veritas (BV), ABS, Korean Register of Shipping (KR), China Classification Society (CCS) or such other reputable classification society which the Owners may approve from time to time.

“**Cost Balance**” means at any relevant time during the Agreement Term, an amount equal to the Actual Owners’ Costs as may be reduced by the Fixed Hire pursuant to paragraph (a)(ii) of Clause 41 (*Hire*).

“**Debt**” means the aggregate from time to time of all sums of any nature (together with all accrued unpaid interest on any of those sums) payable by the Charterers to the Owners under all or any of the Transaction Documents.

“**Default Termination**” means a termination of the Charter Period pursuant to the provisions of Clause 51 (*Termination Events*).

“**Delivery Date**” means the date of delivery of the Vessel by the Owners to the Charterers under this Charter.

“**Disruption Event**” means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in order for the transactions contemplated by the Transaction Documents to be carried out which disruption is not caused by, and is beyond the control of, any of the Parties; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:
  - (i) from performing its payment obligations under the Transaction Documents; or
  - (ii) from communicating with other Parties in accordance with the terms of the Transaction Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

“**Early Termination Amount**” means, the aggregate of the following (which both Parties acknowledge as a genuine and reasonable pre-estimate of the Owners’ losses as a result of the early termination of this Charter after delivery of the Vessel to the Charterers under this Charter):

- (a) the Cost Balance as at the relevant Termination Payment Date;
- (b) any Variable Hire which has accrued before the relevant Termination Payment Date and which remains unpaid at such Termination Payment Date and the aggregate of the Variable Hire payable during the period commencing from the Termination

Payment Date up to and including the date falling one hundred and twenty (120) months from the Delivery Date;

- (c) any other Unpaid Sums due and payable;
- (d) any costs and expenses incurred by the Owners in locating, repossessing or recovering the Vessel, releasing any Security Interest created over the Vessel or collecting any payments due under this Charter or in obtaining the due performance of the obligations of the Charterers under the Transaction Documents; and

together with any interest accrued thereon pursuant to paragraph (r) of Clause 41 (*Hire*) up to the date of receipt by the Owners, any applicable and documented break costs (excluding the margin) under the financing entered into by Owners limited to break costs (excluding the margin) for break of an interest period relevant to such financing.

“**Earnings**” means all hires, freights, pool income and other sums payable to or for the account of the Charterers in respect of the Vessel including (without limitation) all remuneration for salvage and towage services, demurrage and detention moneys, contributions in general average, compensation in respect of any requisition for hire, and damages and other payments (whether awarded by any court or arbitral tribunal or by agreement or otherwise) for breach, termination or variation of any contract for the operation, employment or use of the Vessel.

“**Earnings Account**” means the US Dollar account in the name of the Charterers opened or to be opened with the Account Bank, and includes any sub-account thereof and such account which is designated by the Owners as the earnings account for the purposes of this Charter.

“**Environmental Approvals**” means any present or future permit, licence, approval, ruling, variance, exemption or other authorisation required under the applicable Environmental Law.

“**Environmental Claim**” means any claim, proceeding or investigation by any person in respect of any Environmental Law.

“**Environmental Incident**” means:

- (a) any release, emission, spill or discharge from the Vessel or into or upon the air, sea, land or soils (including the seabed) or surface water of Environmentally Sensitive Material within or from the Vessel; or
- (b) any incident in which Environmentally Sensitive Material is released, emitted, spilled or discharged into or upon the air, sea, land or soils (including the seabed) or surface water from a vessel other than the Vessel and which involves a collision between the Vessel and such other vessel or some other incident of navigation or operation, in either case, in connection with which the Vessel is actually or potentially liable to be arrested, attached, detained or injuncted and/or the Vessel and/or any Obligor and/or any operator or manager of the Vessel is at fault or allegedly at fault or otherwise liable to any legal or administrative action; or
- (c) any other incident in which Environmentally Sensitive Material is released, emitted, spilled or discharged into or upon the air, sea, land or soils (including the seabed) or surface water otherwise than from the Vessel and in connection with which the Vessel is actually or potentially liable to be arrested and/or where any Obligor and/or any operator or manager of the Vessel is at fault or allegedly at fault or otherwise

liable to any legal or administrative action, other than in accordance with an Environmental Approval.

**“Environmentally Sensitive Material”** means (i) oil and oil products and (ii) any other waste, pollutant, contaminant or other substance (including any liquid, solid, gas, ion, living organism or noise) that may be harmful to human health or other life or the environment or a nuisance to any person or that may make the enjoyment, ownership or other territorial control of any affected land, property or waters more costly for such person to a material degree.

**“Environmental Law”** means any applicable law and regulation in any jurisdiction in which any Obligor conducts business which relates to the pollution or protection of the environment or harm to or the protection of human health or the health of animals or plants.

**“Finance Document”** means any facility agreement, security document and any other document designated as such by the Finance Parties and the Owners and which have been or may be (as the case may be) entered into between the Finance Parties and the Owners for the purpose of, among other things, financing or (as the case may be) refinancing all or any part of the Actual Owners’ Costs.

**“Finance Party”** means any bank or financial institution which is or will be party to a Finance Document (other than the Owners and other entities which may have agreed or be intended as debtors and/or obligors thereunder) and **“Finance Parties”** means two or more of them.

**“Financial Indebtedness”** means any obligation for the payment or repayment of money, whether present or future, actual or contingent, in respect of:

- (a) moneys borrowed;
- (b) any acceptance credit;
- (c) any bond, note, debenture, loan stock or similar instrument;
- (d) any finance, capital lease or operating leases for financing purposes;
- (e) receivables sold or discounted (other than on a non-recourse basis);
- (f) deferred payments for assets or services;
- (g) any derivative transaction protecting against or benefiting from fluctuations in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing according to the relevant account principles;
- (i) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (j) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in (a) to (i).

“**Fixed Hire**” means in respect of each Hire Payment Date, the figure set out in the column ‘Fixed Hire’ in the Hire Payment Schedule against such Hire Payment Date, which may be revised, updated and replaced from time to time in accordance with the terms of this Charter.

“**GAAP**” means generally accepted accounting principles in the United States of America.

“**Hire**” means each or any combination or aggregate of (i) Fixed Hire and (ii) Variable Hire, as the context may require.

“**Hire Payment Date**” means each 15th day of each relevant calendar month (or if such date is not a Business Day, the immediately preceding Business Day) during each and any Hire Period, save that:

- (a) the first Hire Payment Date shall fall on the Delivery Date; and
- (b) the second Hire Payment Date shall fall on the date which is the 15th day of the next relevant calendar month (or if such date is not a Business Day, the immediately preceding Business Day) after the calendar month during which the Delivery Date falls.

“**Hire Payment Schedule**” means the schedule set out in SCHEDULE 3.

“**Hire Period**” means (i) in respect of any Hire Payment Date (other than the last Hire Payment Date), the period commencing on such Hire Payment Date and ending on the next succeeding Hire Payment Date; and (ii) in respect of the last Hire Payment Date, the period commencing on such Hire Payment Date and ending on the last day of the Charter Period.

“**Holding Company**” means, in relation to any entity, any other entity in respect of which it is a Subsidiary.

“**IAPPC**” means a valid international air pollution prevention certificate for the Vessel issued under Annex VI (Regulations for the Prevention of Air Pollution from Ships) to the International Convention for the Prevention of Pollution from Ships 1973 (as modified in 1978 and 1997).

“**Indemnitee**” has the meaning given to such term in Clause 61 (*Further indemnities*). “**Innocent**

**Owners’ Interest Insurances**” means all policies and contracts of innocent owners’ interest insurance from time to time taken out by the Owners in relation to the Vessel.

“**Insurances**” means all policies and contracts of insurance which are from time to time taken out or entered into by the Charterers in respect of the Vessel or her Earnings or otherwise in connection with the Vessel or her Earnings.

“**Interpolated Screen Rate**” means, in relation to the LIBOR for the Cost Balance or any part of it, the rate which results from interpolating on a linear basis between:

- (a) the applicable Screen Rate for the longest period (for which that Screen Rate is available) which is less than that relevant period; and
- (b) the applicable Screen Rate for the shortest period (for which that Screen Rate is available) which exceeds that relevant period,

each at or about 11:00a.m. London time on the Quotation Day.

“**Intra-group Loan Agreement**” means the intra-group loan agreement executed or to be executed on or about the date of this Charter between the Charterers and the Shareholder, pursuant to which each of the Charterers and the Shareholder may make loan to the other party, and whose rights are, subject to the terms and conditions thereof, subordinated to the rights of the Owners under this Charter.

“**ISM Code**” means the International Safety Management Code (including the guidelines on its implementation), adopted by the International Maritime Organisation Assembly as Resolutions A.741 (18) (as amended by MSC 104 (73)) and A.913(22) (superseding Resolution A.788 (19)), as the same may be amended, supplemented or superseded from time to time (and the terms “safety management system”, “Safety Management Certificate” and “Document of Compliance” have the same meanings as are given to them in the ISM Code).

“**ISM Company**” means, at any given time, the company responsible for the Vessel’s compliance with the ISM Code under paragraph 1.1.2 of the ISM Code.

“**ISPS Code**” means the International Ship and Port Facility Security Code adopted by the International Maritime Organisation (as the same may be amended, supplemented or superseded from time to time).

“**ISPS Company**” means, at any given time, the company responsible for the Vessel’s compliance with the ISPS Code.

“**ISSC**” means a valid international ship security certificate for the Vessel issued under the ISPS Code.

“**John Fredriksen Family**” means Mr. John Fredriksen, his direct lineal descendants, the personal estate of any of them and/or any trust created for the benefit of any of the aforementioned persons and their estates.

“**LIBOR**” means:

- (a) the applicable Screen Rate as of the Specified Time for USD and for a period of three months for any Unpaid Sum (including any Hire); or
- (b) as otherwise determined in accordance with paragraph (r) of Clause 41 (*Hire*),

and if, in either case, that rate is less than zero, LIBOR will be deemed to be zero.

“**Major Casualty Amount**” means US Dollars three Million (US\$3,000,000) or the equivalent in any other currency or currencies.

“**Management Agreement**” means, in relation to the Vessel, the technical and/or commercial ship management agreement and/or layup management agreement executed or to be executed (as the case may be) between the relevant Approved Manager and the Charterers.

“**Manager’s Undertaking**” means the deed of undertaking executed or to be executed by the relevant Approved Manager in favour of the Owners.

“**Margin**” means three point five per cent (3.50%) per annum.

“**Market Value**” means, in relation to the Vessel, the value as determined in accordance with Clause 49(ee) (*Valuation of Market Value*).



“**MARPOL**” means the International Convention for the Prevention of Pollution from Ships adopted by the International Maritime Organisation (as the same may be amended, supplemented or superseded from time to time).

“**Material Adverse Effect**” means a material adverse change in, or a material adverse effect on:

- (a) the business, operations, property, condition (financial or otherwise) or prospects of the Charter Group taken as a whole;
- (b) the ability of any Obligor to perform and comply with their obligations under any Transaction Document or Project Document to which they are a party;
- (c) the validity, legality or enforceability of this Charter, any other Transaction Document or any Project Document; or
- (d) the effectiveness or ranking of any Security Interests granted pursuant to any of the Transaction Documents or the rights or remedies of the Charterers under any of the Transaction Documents and any Project Document.

“**MOA**” has the meaning given to such term in Clause 34 (*Background*).

“**Mortgagees’ Interest Insurances**” means all policies and contracts of mortgagees’ interest insurance, mortgagees’ additional perils (oil pollution) insurance and any other insurance from time to time taken out by any Finance Party in relation to the Vessel.

“**Necessary Authorisations**” means all Authorisations of any person including any government or other regulatory authority required by applicable law to enable it to:

- (a) lawfully enter into and perform its obligations under the Transaction Documents and the Project Documents to which it is party;
- (b) ensure the legality, validity, enforceability or admissibility in evidence in England and, if different, its jurisdiction of incorporation, of such Transaction Documents and Project Documents to which it is party; and
- (c) carry on its business from time to time.

“**Obligor**” means each of the Charterers, the Charter Guarantors and any person within the Charterer Group that may be party to a Transaction Document from time to time (other than the Owners and the Account Bank).

“**Original Buyers**” means Flex LNGC 2 Limited, a company incorporated and existing under the laws of the Isle of Man, having its registered office at Analyst House, 20-26 Peel Road, Douglas, IM99 1AP, Isle of Man.

“**Owners’ Cost Payment Date**” means the date on which the Actual Owners’ Cost is paid by the Owners (as buyer) to the Charterers (as seller) in accordance with the terms of the MOA.

“**Party**” means a party to this Charter.

“**PDA**” means the protocol of delivery and acceptance in relation to the Vessel to be executed between the Owners and the Charterers, substantially in the form contained in Schedule 1 (*Form of Protocol of Delivery and Acceptance*) hereto.

**“Permitted Security Interest”** means:

- (a) any Security Interest created or to be created in accordance with the Security Documents;
- (b) liens for unpaid master’s and crew’s wages in accordance with first class ship ownership and management practice;
- (c) liens for salvage;
- (d) liens for master’s disbursements incurred in the ordinary course of trading;
- (e) any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of the Vessel and not as a result of any default or omission by the Charterers, provided such liens do not secure amounts more than twenty-one (21) days overdue (unless the overdue amount is being contested in good faith by appropriate steps);
- (f) any Security Interest arising by operation of law in respect of Taxes which are not overdue for payment or which are being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;
- (g) any liens securing obligations incurred in the ordinary course of trading and/or operating the Vessel and not more than twenty-one (21) days overdue; and
- (h) any Security Interest which has the prior written approval of the Owners.

**“Potential Termination Event”** means an event or circumstance which, with the giving of any notice, the lapse of time, a determination of the Owners or any combination of the foregoing is a Termination Event.

**“Pre-Approved Flag”** means the Marshall Islands or other flag at the Charterers’ option and approved by the Owners.

**“Project Documents”** means the Building Contract, each Sub-Charter and the Management Agreement(s);

**“Purchase Option Price”** means the amount due and payable by the Charterers to the Owners pursuant to Clause 55 (*Purchase option and transfer of title*), being the aggregate of:

- (a) the Cost Balance as at the relevant Hire Payment Date (on which the Charterers or the Charterers’ nominee will purchase the Vessel pursuant to Clause 55(a)) plus any Variable Hire which has accrued before that Hire Payment Date and which remains unpaid at such Hire Payment Date (the estimated amount corresponding to the Hire Payment Date, based on the assumed LIBOR at 3.0% per annum, is set out in Schedule 4 (*Schedule of Purchase Option Price*) to this Charter, but such amount will be adjusted, revised, updated and replaced from time to time in accordance with the terms of this Charter and confirmed by the Owners, and agreed by the Charterers, by reference to, among others, the figure to be provided by the Owners upon fixing of the delivery or closing date in accordance with such early purchase of the Vessel);
- (b) any interest accrued due and unpaid pursuant to paragraph (i) of Clause 41 (*Hire*);

- (c) all Unpaid Sums due and payable together with (in each case where applicable) interest accrued thereon pursuant to paragraph (i) of Clause 41 (*Hire*) from the due date for payment thereof up to the date of actual payment; and
- (d) any Break Cost.

“**Purchase Price**” has the meaning given to such term under the MOA.

“**Quotation Day**” means in relation to any period for which an Variable Hire or an interest rate is to be determined, the day falling ten (10) Business Days before the first day of that period.

“**Quiet Enjoyment Letter**” means, in relation to the Vessel, a letter which the Finance Parties (or their authorised agent on their behalf) shall issue in favour of the Charterers, such letter to be in such form and substance as the Finance Parties may require.

“**Reference Banks**” shall mean the principal London offices of Citibank N.A., HSBC Bank Plc., JP Morgan Chase Bank, N.A., or such other banks as the Owners may nominate in consultation with the Charterers.

“**Reference Bank Rate**” means the arithmetic mean of the rates (rounded upwards to four (4) decimal places) as supplied to the Owners at their request by the Reference Banks:

- (a) (other than where paragraph (b) below applies) as the rate at which the relevant Reference Bank could borrow funds in the London interbank market in US Dollars for the relevant period, were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in that currency and for that period; or
- (b) if different, as the rate (if any and applied to the relevant Reference Bank and the relevant period) which contributors to the Screen Rate are asked to submit to the relevant administrator.

“**Requisition Compensation**” means all compensation or other money which may from time to time be payable to the Charterers as a result of the Vessel being requisitioned for title or in any other way compulsorily acquired (other than by way of requisition for hire).

“**Restricted Party**” means a person or entity that is (i) listed on, any Sanctions List; (ii) located in, incorporated under the laws of, or owned or controlled by, or acting on behalf of, a person located in or organised ) the laws of a country or territory that is the target of country- wide or territory-wide Sanctions; or (iii) otherwise a target of Sanctions (“target of Sanctions” signifying a person with whom a United States person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities), or owned or controlled, or acting on behalf, at the discretion or for the benefit of a person referred to in (i) and/or (ii) above.

“**Sanctions**” means any economic, trade or financial sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by any Sanctions Authority, to the extent applicable to any of the Obligors or any member of the Charter Group.

“**Sanctions Authority**” means (i) the United States government; (ii) the United Nations; (iii) the European Union or its Member States, including, without limitation, the United Kingdom; (iv) the People’s Republic of China; or (v) the respective governmental institutions and agencies of any of the foregoing, including, without limitation, the Office of Foreign Assets

Control of the US Department of Treasury (“**OFAC**”), the United States Department of State and Her Majesty’s Treasury (“**HMT**”);

“**Sanctions List**” means the “Specially Designated Nationals and Blocked Persons” list maintained by the OFAC, the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by HMT, or any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities.

“**Screen Rate**” means the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for US Dollars for three (3)-month period displayed (before any correction, recalculation or republication by the administrator) on page LIBOR01 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate) or on the appropriate page of such other information service which publishes that rate from time to time in place of Thomson Reuters. If such page or service ceases to be available, the Owners may specify another page or service displaying the relevant rate.

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

“**Security Documents**” means, in relation to the Vessel, the following:

- (a) the Charter Guarantees;
- (b) the Charterers’ Assignment;
- (c) the Managers’ Undertaking;
- (d) the Account Charge;
- (e) the Shares Pledge;
- (f) any Sub-Charterers’ Assignment; and
- (g) any other document that may at any time be executed by any person creating, evidencing or perfecting any Security Interest to secure all or part of the Obligor’s obligations under or in connection with the Transaction Documents,

and “**Security Document**” means any one of them.

“**Settlement Date**” means, following a Total Loss of the Vessel, the earliest of:

- (a) the date which falls 180 days after the date of occurrence of the Total Loss or, if such date is not a Business Day, the immediately preceding Business Day; and
- (b) the date on which the Owners receive the Total Loss Proceeds in respect of the Total Loss.

“**Shareholder**” means Flex LNG Fleet Limited a company incorporated in Bermuda with registration number 52351 whose registered office is at Par la Ville Place, 4th Floor, 14 Par la Ville Road, Hamilton, HM08.

“**Shares Pledge**” means the deed of charge of shares of the Charterers, executed or to be executed by the Shareholder in favour of the Owners.

“**SMC**” means a valid safety management certificate issued for the Vessel by or on behalf of the Administration under paragraph 13.7 of the ISM Code.

“**Specified Time**” means:

- (a) in connection with determining the Screen Rate, 11:00 a.m. (London time) on the Quotation Day; or
- (b) in connection with determining the Reference Bank Rate, noon (London time) on the Quotation Day.

“**Sub-Charter**” means any contract of affreightment, any demise charterparty, or any time or voyage charterparty of a duration of or exceeding twenty-four (24) months (whether by virtue of any optional extensions or otherwise) entered into between the Charterers as disponent owners and any Sub-Charterers for the chartering of the Vessel by the Charterers to the Sub-Charterers.

“**Sub-Charter Quiet Enjoyment Letter**” means, in relation to the Vessel, any letter which (i) the Owners and/or (ii) the Finance Parties (or their authorised agent on their behalf) shall (subject to the terms of this Charter) issue in favour of the Sub-Charterers, such letter to be in such form and substance as the Owners, the Charterers, the Sub-Charterers and the Finance Parties may approve.

“**Sub-Charterers**” means any person entering into a Sub-Charter with the Charterers for the chartering of the Vessel from the Charterers (as disponent owners) to such person (as charterer).

“**Sub-Charterers’ Assignment**” means the deed of assignment executed or to be executed (as the case may be) by any Sub-Charterers (which has entered into a demise charterparty in respect of the Vessel as permitted in accordance with Clause 52 (*Sub-chartering and assignment*) in favour of the Owners in relation to certain of the Sub-Charterers’ rights and interest in and to (amongst other things) the (a) Sub-Charterers’ Earnings, (b) Sub-Charterers’ Insurances and (c) Sub-Charterers’ Requisition Compensation.

“**Sub-Charterers’ Earnings**” means all hires, freights, pool income and other sums payable to or for the account of any Sub-Charterers in respect of the Vessel including (without limitation) all remuneration for salvage and towage services, demurrage and detention moneys, contributions in general average, compensation in respect of any requisition for hire, and damages and other payments (whether awarded by any court or arbitral tribunal or by agreement or otherwise) for breach, termination or variation of any contract for the operation, employment or use of the Vessel.

“**Sub-Charterers’ Insurances**” means all policies and contracts of insurance which are from time to time taken out or entered into by any Sub-Charterers in respect of the Vessel or her Sub-Charterers’ Earnings or otherwise in connection with the Vessel or her Sub-Charterers’ Earnings.

“**Sub-Charterers’ Requisition Compensation**” means all compensation or other money which may from time to time be payable to any Sub-Charterers as a result of the Vessel being

requisitioned for title or in any other way compulsorily acquired (other than by way of requisition for hire).

“**Subsidiary**” is a subsidiary of another company if that other company:

- i. holds a majority of the voting rights in it, or
- ii. is a member of it and has the right to appoint or remove a majority of its board of directors, or
- iii. is a member of it and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it,

or if it is a subsidiary of a company that is itself a subsidiary of that other company.

“**Supervisor**” means the person or persons who may be appointed by the Charterer from time to time to supervise the construction of the Vessel under the Building Contract.

“**Tax**” or “**tax**” means any present and future tax (including, without limitation, value added tax, consumption tax or any other tax in respect of added value or any income), levy, impost, duty or other charge or withholding of any nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same); and “**Taxes**”, “**taxes**”, “**Taxation**” and “**taxation**” shall be construed accordingly.

“**Termination**” means the termination at any time of the chartering of the Vessel under this Charter.

“**Termination Event**” means each of the events specified in paragraph (a) of Clause 51 (*Termination Events*).

“**Termination Notice**” has the meaning given to such term in paragraph (k) of Clause 41 (*Hire*) and paragraph (c) of Clause 51 (*Termination Events*).

“**Termination Payment Date**” means:

- (a) in respect of a termination of this Charter in accordance with paragraph (k) of Clause 41 (*Hire*), the date specified in the Termination Notice served on the Charterers pursuant to that Clause;
- (b) in respect of a Default Termination, the date specified in the Termination Notice served on the Charterers pursuant to paragraph (c) of Clause 51 (*Termination Events*) in respect of such Default Termination; or
- (c) in respect of a Total Loss Termination, the Settlement Date in respect of the Total Loss which gives rise to such Total Loss Termination.

“**Third Parties Act**” means the Contracts (Rights of Third Parties) Act 1999.

“**Title Transfer PDA**” means the protocol of delivery and acceptance in relation to the Vessel to be executed between the Owners and the Charterers, substantially in the form contained in Schedule 2 (*Form of Title Transfer Protocol of Delivery and Acceptance*) hereto.

“**Total Loss**” means during the Charter Period:

- (a) actual or constructive or compromised or agreed or arranged total loss of the Vessel;
- (b) the requisition for title or compulsory acquisition of the Vessel by any government or other competent authority (other than by way of requisition for hire);
- (c) the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture of the Vessel (not falling within paragraph (b) of this definition), unless the Vessel is released and returned to the possession of the Owners or the Charterers within ninety (90) days after the capture, seizure, arrest, detention, hijacking, theft, condemnation as prize, confiscation or forfeiture in question,

and for the purpose of this Charter, (i) an actual Total Loss of the Vessel shall be deemed to have occurred at the date and time when the Vessel was lost but if the date of the loss is unknown the actual Total Loss shall be deemed to have occurred on the date on which the Vessel was last reported, (ii) a constructive Total Loss shall be deemed to have occurred at the date and time at which a notice of abandonment of the Vessel is given to the insurers of the Vessel and (iii) a compromised, agreed or arranged Total Loss shall be deemed to have occurred on the date of the relevant compromise, agreement or arrangement.

“**Total Loss Proceeds**” means the proceeds of the Insurances or any other compensation of any description in respect of a Total Loss in respect of a Total Loss.

“**Total Loss Termination**” means a termination of the Charter Period pursuant to the provisions of paragraph (a) of Clause 57 (*Total Loss*).

“**Transaction Documents**” means, together, this Charter, the MOA, the Security Documents and such other documents as maybe agreed by the Parties from time to time.

“**Unpaid Sum**” means any sum due and payable but unpaid by any Obligor under the Transaction Documents.

“**US Dollars**”, “**Dollars**”, “**USD**”, “**US\$**” and “**\$**” each means available and freely transferable and convertible funds in lawful currency of the United States of America.

“**US Tax Obligor**” means:

- (a) an Obligor which is resident for tax purposes in the United States of America; or
- (b) an Obligor some or all of whose payments under the Transaction Documents to which it is a party are from sources within the United States for US federal income tax purposes.

“**Valuation Report**” means, in relation to the Vessel, a valuation report of the Vessel addressed to the Owners and the Charterers from an Approved Broker.

“**Variable Hire**” means in respect of each Hire Payment Date, the figure set out in the column “Variable Hire” in the Hire Payment Schedule against such Hire Payment Date, which may be revised, updated and replaced from time to time in accordance with the terms of this Charter.

“**Vessel**” means the 174,000M3 Liquefied Natural Gas carrier with IMO number 9709037 as more particularly described in Boxes 5 (*Vessel’s name, call sign and flag*) to 10 (*Classification Society*) of this Charter.

### 33. Interpretations

- (a) In this Charter, unless the context otherwise requires, any reference to:
- (i) this Charter include the Schedules hereto and references to Clauses and Schedules are, unless otherwise specified, references to Clauses of and Schedules to this Charter and, in the case of a Schedule, to such Schedule as incorporated in this Charter as substituted from time to time;
  - (ii) any statutory or other legislative provision shall be construed as including any statutory or legislative modification or re-enactment thereof, or any substitution therefor;
  - (iii) the term “**Vessel**” includes any part of the Vessel;
  - (iv) the “**Owners**”, the “**Charterers**”, any “**Obligor**”, “**Sub-Charterers**” or any other person include any of their respective successors, permitted assignees and permitted transferees;
  - (v) any agreement, instrument or document include such agreement, instrument or document as the same may from time to time be amended, modified, supplemented, novated or substituted;
  - (vi) the “**equivalent**” in one currency (the “**first currency**”) as at any date of an amount in another currency (the “**second currency**”) shall be construed as a reference to the amount of the first currency which could be purchased with such amount of the second currency at the spot rate of exchange quoted by the Owners at or about 11:00 a.m. two (2) Business Days (being a day other than a Saturday or Sunday on which banks and foreign exchange markets are generally open for business in Beijing) prior to such date for the purpose of the first currency with the second currency for delivery and value on such date;
  - (vii) “**hereof**”, “**herein**” and “**hereunder**” and other words of similar import means this Charter as a whole (including the Schedules) and not any particular part hereof;
  - (viii) “**law**” includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, rule, statute, treaty or other legislative measure in any jurisdiction or any present or future directive, regulation, request or requirement, or official or judicial interpretation of any of the foregoing, in each case having the force of law and, if not having the force of law, in respect of which compliance is generally customary;



- (ix) the word “**person**” or “**persons**” or to words importing persons include, without limitation, any state, divisions of a state, government, individuals, partnerships, corporations, ventures, government agencies, committees, departments, authorities and other bodies, corporate or unincorporated, whether having distinct legal personality or not;
- (x) the “**winding-up**”, “**dissolution**”, “**administration**”, “**liquidation**”, “**insolvency**”, “**reorganisation**”, “**readjustment of debt**”, “**suspension of payments**”, “**moratorium**” or “**bankruptcy**” (and their derivatives and cognate expressions) of any person shall each be construed so as to include the others and any equivalent or analogous proceedings or event under the laws of any jurisdiction in which such person is incorporated or any jurisdiction in which such person carries on business;
- (xi) “**protection and indemnity risks**” means the usual risks covered by a protection and indemnity association which is a member of the International Group of P&I Club, including pollution risks, extended passenger cover and the proportion (if any) of any sums payable to any other person or persons in case of collision which are not recoverable under the hull and machinery policies by reason of the incorporation in them of clause 6 of the International Hull Clauses (1/11/02 or 1/11/03), clause 8 of the Institute Time Clauses (Hull)(1/10/83) or clause 8 of the Institute Time Clauses (Hulls)(1/11/1995) or the Institute Amended Running Down Clause (1/10/71) or any equivalent provision;
- (xii) (xii) a Potential Termination Event or Termination Event which is “continuing” is a reference to a Potential Termination Event or Termination Event which is not remedied or waived; and
- (xiii) words denoting the plural number include the singular and vice versa.
- (b) Headings are for the purpose of reference only, have no legal or other significance, and shall be ignored in the interpretation of this Charter.
- (c) (c) A time of day (unless otherwise specified) is a reference to Beijing time.

#### 34. **Background**

- (a) Pursuant to the Building Contract, the Charterers have agreed to purchase and the Builders have agreed to build and sell the Vessel subject to the terms and conditions therein.
- (b) By a memorandum of agreement (the “**MOA**”) of even date herewith made between the Owners (as buyers thereunder) and the Charterers (as sellers thereunder), the Owners have agreed to purchase and the Charterers have agreed to sell the Vessel subject to the terms and conditions therein.
- (c) If:
  - (i) the Vessel is not delivered by the Cancellation Date (or such later date as the Owners and the Charterers may agree) (other than caused by any act or omission of any Obligor constituting a Potential Termination Event or Termination Event); or

- (ii) it becomes unlawful for the Owners (as buyers) to perform or comply with any or all of their obligations under the MOA or any of the obligations of the Owners under the MOA is not or ceases to be legal, valid, binding and enforceable,

neither Party shall be liable to the other for any claim arising out of this Charter and this Charter shall immediately terminate and be cancelled (with the exception of Clause 17 (Part II) (*Indemnity*) and Clause 61 (*Further indemnities*) **provided however** that the Charterers shall remain obliged to pay all fees which the Charterers are obliged to pay pursuant to paragraph (a) of Clause 58 (*Fees and expenses*), and any such payment shall not be construed as a penalty but shall represent an agreed estimate of the loss and damage suffered by the Owners in entering into this Charter and shall therefore be paid as compensation to the Owners.

- (d) Accordingly the Parties hereby agree that the Owners' obligation to charter the Vessel to the Charterers under this Charter is subject to the effective transfer of ownership of the Vessel to the Owners pursuant to the Building Contract and the MOA.

### 35. **Pre-delivery and delivery**

- (a) As at the date of this Charter, the Vessel is under construction by the Builders pursuant to the terms of the Building Contract. The Charterers hereby confirm that they have reviewed, received and agreed to the forms of the Building Contract (or copies thereof).
- (b) The Owners will deliver and the Charterers will take delivery of the Vessel under this Charter immediately, which to the extent possible shall be deemed to take place simultaneously, after the Builders deliver the Vessel to the Charterers under and subject to the terms of the Building Contract upon the Delivery Date and the Charterers deliver the Vessel to the Owners under the MOA immediately thereafter, subject to which, the Charterers will accept the Vessel on an "as is where is" basis on delivery under this Charter.
- (c) Subject to the foregoing, once the Charterers have delivered the Vessel and the Owners have accepted the Vessel under the MOA, the Charterers will be deemed to have accepted the Vessel under this Charter with any faults, deficiencies and errors of description.
- (d) The obligation of the Owners to purchase and take delivery of the Vessel pursuant to the MOA and to charter the Vessel to the Charterers pursuant to this Charter shall be subject to the following conditions:
  - (i) no Termination Event or Potential Termination Event having occurred which is continuing on the date of this Charter and the Delivery Date;
  - (ii) the representations and warranties referred to in Clause 48 (*Charterers' representations and warranties*) being true and correct in all material respects on the date of this Charter and the Delivery Date;
  - (iii) the Owners shall have received the documents and evidence referred to in Clause 37 (*Conditions precedent*), in each case in all respects in form and

substance satisfactory to it on or before the Delivery Date (unless waived by the Owners);

- (iv) the Delivery Date falls on or before the Cancellation Date (or such later date as may be agreed between the Owners (as buyer under the MOA) and the Charterers (as seller under the MOA)); and
  - (v) delivery of the Vessel to the Charterers by the Builders under and subject to the Building Contract and the simultaneous delivery of the Vessel from the Charterers to the Owners under and subject to the terms of the MOA.
- (e) Provided that the conditions referred to in paragraph (d) above have been fulfilled or waived with or without conditions to the satisfaction of the Owners (which shall be evidenced in writing by the Owners), the Owners and the Charterers agree that:
- (i) the Charterers shall, at their own expense, upon the Delivery Date arrange for the Vessel to be registered in the name of the Owners as registered owner, and procure the issue of a transcript of register, giving evidence of title which shows the Owners being registered as the registered owner and that the Vessel is free from any registered Security Interest (other than any mortgage(s) registered by the Owners in favour of the Finance Parties);
  - (ii) the Charterers shall take delivery of the Vessel from the Owners under this Charter (such delivery to be conclusively evidenced by a duly executed PDA) simultaneously with the acceptance of delivery of the Vessel by the Owners from the Charterers pursuant to the MOA;
  - (iii) the Charterers will accept the Vessel:
    - (A) on an “as is where is” basis in exactly the same form and state as the Vessel is delivered by the Charterers to the Owners pursuant to the MOA; and
    - (B) in such form and state with any faults, deficiencies and errors of description;
  - (iv) the acceptance of delivery of the Vessel by the Charterers from the Owners pursuant to this Charter shall take place simultaneously with the acceptance of delivery of the Vessel by the Charterers from the Builders pursuant to the Building Contract and the acceptance of delivery of the Vessel by the Owners from the Charterers pursuant to the MOA; and
  - (v) the Charterers shall have no right to refuse acceptance of delivery of the Vessel into this Charter if the Vessel is delivered to the Owners pursuant to the MOA and, notwithstanding and without prejudice to the foregoing, the Owners and the Charterers nonetheless agree to enter into and execute the PDA on delivery of the Vessel under this Charter.
- (f) The Charterers acknowledge and agree that the Owners are not the manufacturer or original supplier of the Vessel which has been purchased by the Owners from the Charterers pursuant to the MOA, and have therefore made no representations or warranties in respect of the Vessel or any part thereof, and hereby waive all their rights in respect of any warranty or condition implied (whether statutory or otherwise)

on the part of the Owners and all claims against the Owners howsoever the same might arise at any time in respect of the Vessel, or arising out of the construction, operation or performance of the Vessel and the chartering thereof under this Charter (including, without limitation, in respect of the seaworthiness or otherwise of the Vessel).

- (g) In particular, and without prejudice to the generality of paragraph (f) above, the Owners shall be under no liability whatsoever, howsoever arising, in respect of the injury, death, loss, damage or delay of or to or in connection with the Vessel or any person or property whatsoever, whether onboard the Vessel or elsewhere, and irrespective of whether such injury, death, loss, damage or delay shall arise from the unseaworthiness of the Vessel. For the purpose of this paragraph (g), “delay” shall include delay to the Vessel (whether in respect of delivery under this Charter or thereafter and any other delay whatsoever).

### 36. **Construction and supervision**

- (a) The Vessel shall be constructed in accordance with the Building Contract, under the supervision of the Charterers in accordance with the terms of the Building Contract and this Charter.
- (b) During the construction of the Vessel, the Charterers shall procure that, at its own costs and risks, all the supervision work is diligently carried out in accordance with the terms of the Building Contract and attend all tests and trials as stipulated in the Building Contract (together the “**Supervision Work**”). In addition, the Charterers shall:
  - (i) if so requested by the Owners, provide to the Owners the following information and documents from time to time:
    - (A) the latest specifications and all drawings and plans (as referred to in the Building Contract) provided by the Builders from time to time;
    - (B) all information and documents (if any) as communicated by the Builders to the Charterers (or the supervisors appointed by the Charterers) in relation to the inspections, tests and trials of the Vessel and its equipment and parts which have not been sent or copied to the Owners; and
    - (C) all rules, regulations and requirements referred to in the Building Contract and/or the specifications (the “**Rules**”), including but not limited to the rules, regulations and requirements of the Classification Society notified by the Builders (or, as the case maybe) to the Charterers or the Supervisor from time to time and by the maritime authority of the Pre-Approved Flag;
  - (ii) assist the Owners in every way to achieve smooth documentary delivery of the Vessel including, but not limited to, checking and confirming to the Owners the certificates, technical documents, drawings and plans required under the Building Contract; and
  - (iii) in the event of any dispute under the relevant provisions of the Building Contract, advise the Owners with regard to all technical matters.

- (c) The Charterers warrant and undertake to the Owners that it shall (and it shall procure that the Supervisor shall) comply with the following provisions in carrying out all the Supervision Work:
- (i) the Supervision Work carried out and the decision made or advice given to the Owners by the Charterers, the Supervisor, its employees, sub-contractors are in accordance with professional shipbuilding practices and standard;
  - (ii) the Supervision Work shall be carried out in accordance with the agreed inspection procedure and schedule pursuant to the Building Contract and in a way to minimize any unjustifiable increase in building costs and delays in the construction of the Vessel;
  - (iii) the Owners shall be under no liability whatsoever to the Charterers or the Supervisor or their employees or agents for personal injuries, including death, during the time when they, or any of them, are on the Vessel, or within the premises of either the Builders or subcontractors of the Builders, or are otherwise engaged in and about the construction of the Vessel other than of the personal injury or death has arisen as a result of the Owners' gross negligence or wilful misconduct, and the Owners shall not be under any liability whatsoever to the Supervisors or the Charterers for damage to, or loss or destruction of any property of the Charterers or its employees or agents. The Charterers shall hold the Owners harmless and indemnified against all Losses caused by the Charterers, the Supervisor and/or their employees or agents arising from and/or in connection with the attendance by the Charterers or its employees or agents of the supervision, survey and inspection of the Vessel.

37. **Conditions precedent**

- (a) Notwithstanding anything to the contrary in this Charter, the obligations of the Owners to purchase and take delivery of the Vessel pursuant to the MOA and to charter the Vessel to the Charterers under this Charter are subject to and conditional upon the Owners' receipt of following documents and evidence (in each case in form and substance acceptable to the Owners) on or before the Delivery Date (or such other date as the Owners and the Charterers may agree):
- (i) an original of each of the following:
    - (A) the duly executed Charter;
    - (B) the duly executed MOA;
    - (C) the following duly executed Security Documents:
      - (I) the Charter Guarantees;
      - (II) the Charterers' Assignment;
      - (III) the Managers' Undertaking;
      - (IV) the Shares Pledge;
      - (V) the Account Charge;

- (VI) Sub-Charter Assignment (if any); and
- (D) all documents required by any of the Security Documents set out in paragraph (C), including but not limited to the notices and acknowledgement required under such Security Documents, except for the letters of undertaking from the insurers, underwriters, protection and indemnity clubs and association which will be provided to the Owners and the acknowledgment by the Sub-Charterers (if any) to the assignment of the Sub-Charter, both of which will be required under the Charterers' Assignment and provided to the Owners in accordance with Clause 78 (*Conditions subsequent*);
- (ii) certified true copies of the memorandum and articles of association (or equivalent documents) (and all amendments thereto) of each Obligor and any other documents required to be filed or registered or issued under the laws of their jurisdiction of incorporation to establish their incorporation;
- (iii) certified true copies of written resolutions or (as the case may be), resolutions passed at separate meetings, in each case, of the board of directors and (if required by any legal advisors to the Owners) shareholders of each Obligor (or the relevant stakeholders as such legal advisors may specify), evidencing its approval of the Transaction Documents and the Project Documents to which it is a party and authorising appropriate officers or attorneys to execute the same and to sign all notices required to be given hereunder or thereunder on its behalf or other evidence of such approvals and authorisations as shall be acceptable to the Owners;
- (iv) if applicable, the original power of attorney of each Obligor under which any documents (including the Transaction Documents to which it is a party) are to be executed or transactions undertaken by that party;
- (v) a certified list specifying the directors and officers of each of the Obligors (together with their respective specimen signatures);
- (vi) if applicable, copies of all Necessary Authorisations;
- (vii) copies of the following:
  - (A) the duly executed Building Contract;
  - (B) the duly executed Management Agreement;
  - (C) in each case together with all addenda, amendments or supplements;
- (viii) originals (unless otherwise stated) of the following documents (or evidence that they will be provided to the Owners on or before the Delivery Date) relating to the Vessel and her delivery to the Charterers under the Building Contract:
  - (A) copies of bill of sale (from the Builders to the Original Buyers), builder's certificate, declaration of warranty and commercial invoice

- issued by the Builders to the Original Buyers (with the originals to be delivered to the Owners in accordance with Clause 78 (*Conditions subsequent*));
- (B) certified copies protocol of delivery and acceptance for the Vessel executed by the Builders and the Original Buyers;
  - (C) bill of sale (from the Original Buyers to the Charterers) and commercial invoice issued by the Original Buyers to the Charterers;
  - (D) protocol of delivery and acceptance for the Vessel executed by the Original Buyers and the Charterers;
  - (E) assignment of Builders' warranties relating to the Vessel under the Building Contract duly executed by the Original Buyers in favour of the Owners together with a copy of the notice of assignment by the Original Buyers to the Builders and a copy of the acknowledgement of assignment from the Builders to the Owners acknowledging the assignment of the Builders' warranties for which the Original Buyers will use their reasonable endeavours to obtain, each in a form acceptable to the Owners;
  - (F) such evidence as the Owners may reasonably require as to the due execution of the aforesaid documents;
- (ix) evidence that the contract price of the Vessel and other sums due and payable to the Builders under the Building Contract have been paid to the Builders and fully settled;
- (x) evidence that:
- (A) all the conditions under clause 8 of the MOA have been satisfied or, in the Owners' opinion, will be satisfied on the Owners' Cost Payment Date;
  - (B) subject to Clause 78 (*Conditions Subsequent*), the Vessel is (or will on the Delivery Date) be insured in the manner required by the Transaction Documents;
  - (C) the Original Buyers have at their own expenses taken delivery of the Vessel from the Builders according to the Building Contract and the Charterers have at their own expenses taken delivery of the Vessel from the Original Buyers;
- (xi) copies of:
- (A) the Approved Managers' current Document of Compliance (as such term is defined pursuant to the ISM Code);
  - (B) the Vessel's current IAPPC;
  - (C) the Vessel's interim Classification Certificate;

- (xii) a Valuation Report (at the Charterers' cost) evidencing that the Market Value of the Vessel is no less than US\$157,500,000;
  - (xiii) evidence that the fees, costs and expenses then due from the Charterers pursuant to the MOA and this Charter (including Clauses 58 (*Fees and expenses*) and 61 (*Further indemnities*)) have been paid or will be paid at such time as is agreed with the Owners;
  - (xiv) (xiv) a legal opinion issued by legal advisers to the Owners in the following jurisdictions, each in form and substance satisfactory to and agreed by the Owners (acting reasonably) (or confirmation satisfactory to the Owners that such an opinion will be given):
    - (A) England and Wales;
    - (B) the Marshall Islands;
    - (C) Norway;
    - (D) Bermuda; and
    - (E) such other jurisdictions as the Owners may reasonably consider necessary; and
  - (xv) a certified copy of any duly executed Sub-Charter, if applicable, together with all addenda, amendments or supplements.
- (b) If the Owners in their sole discretion agree to deliver the Vessel under this Charter to the Charterers before all of the documents and evidence required by this Clause 37 have been delivered to or to the order of the Owners, the Charterers undertake to deliver all outstanding documents and evidence to or to the order of the Owners no later than seven (7) Business Days after the Delivery Date or such other date as specified by the Owners, acting in their sole discretion. The delivery of the Vessel by the Owners to the Charterers under this Charter shall not, unless otherwise notified by the Owners (acting in their sole discretion) to the Charterers in writing, be taken as a waiver of the Owners' right to require production of all the documents and evidenced required by this Clause 37.

### 38. Bunkers and luboils

- (a) At delivery the Charterers shall take over all bunkers, lubricating oil, hydraulic oil, greases, water and unbroached stores and provisions in the Vessel without cost.
- (b) To the extent that Clause 43 (*Redelivery*) applies, at redelivery the Owners shall take over all bunkers, unused lubricating oil, hydraulic oil, greases, water and unbroached provisions and other consumable stores in the Vessel at the cost of the Owners (which cost shall be determined at the original purchase price as evidenced by copies of invoices certified by a director or attorney of the Charterers and which shall be payable until all payments receivable by the Owners upon redelivery have been received by the Owners and, at the Owners' option, such cost may be set-off against any payment receivable by the Owners), provided that the Owners shall not be responsible for any such costs of bunkers, lubricating oil, hydraulic oil, greases, water and unbroached stores and provisions in the Vessel after the occurrence of a



Termination Event and the redelivery of the Vessel is effected a result of such Termination Event.

**39. Further maintenance and operation**

- (a) The good commercial maintenance practice under Clause 10 (*Maintenance and Operation*) (Part II) of this Charter shall be deemed to include:
  - (i) the maintenance and operation of the Vessel by the Charterers in accordance with (as the following are amended from time to time):
    - (A) the relevant regulations, requirements and recommendations of the Classification Society;
    - (B) the relevant regulations, requirements and recommendations of the country and flag of the Vessel's registry;
    - (C) any applicable IMO regulations (including but not limited to the ISM Code, the ISPS Code and MARPOL);
    - (D) all other applicable laws or regulations; and
    - (E) Charterers' current standard operations and maintenance manuals;
  - (ii) the maintenance and operation of the Vessel by the Charterers taking into account:
    - (A) engine manufacturers' recommended maintenance and service schedules;
    - (B) Builder's operations and maintenance manuals; and
  - (iii) recommended maintenance and service schedules of all installed equipment and pipework.
- (b) In addition to the above, the Charterers shall at the request of the Owners, arrange access to class records for the Owners as available to the Charterers.
- (c) Any equipment that is found not to be required on board as a result of law or regulation is either to be removed at the Charterers expense or to be maintained in operable condition.
- (d) The title to any equipment:
  - (i) placed on board as a result of operational requirements of the Charterers shall automatically be deemed to belong to the Owners (unless hired from or belonging to a third party) immediately upon such placement, and such equipment may only be removed: (A) with the Owners' prior written consent, (B) at the Charterers' own expense, and (C) without damage to the Vessel; and
  - (ii) replaced, renewed or substituted shall remain with the Owners until the part or equipment which replaced it or the new or substitute part or equipment becomes property of the Owners.

- (e) Without prejudice to any other provisions under this Charter, the Charterers shall maintain, use and operate the Vessel with commercially reasonable care as if the Charterers were the owner of the same.

#### 40. Structural changes and alterations

- (a) Unless required by the Classification Society, compulsory legislation or pursuant to the terms of any Sub-Charter, the Charterers shall make no material structural changes in the Vessel or material changes in the machinery, engines, appurtenances or spare parts thereof without in each instance first securing the Owners' consent thereto, such consent not to be unreasonably withheld or delayed, provided that:
  - (i) any such changes do not have a material adverse effect on the Vessel's certification or the Vessel's fitness for purpose;
  - (ii) any such changes will not diminish the value of the Vessel and/or have a material adverse effect on the safety, performance, value or marketability of the Vessel;
  - (iii) the Charterers shall bear all time, costs and expenses in relation to any such changes;
  - (iv) the Charterers shall furnish the Owners with:
    - (A) copies of all plans in relation to such changes;
    - (B) if applicable, confirmation from the Classification Society that such changes will not adversely affect the class of the Vessel, provided always that such Classification Society agrees to issue such confirmation;
    - (C) one Valuation Report (at the Charterers' cost) on the Market Value of the Vessel after the implementation of such changes.

Upon the occurrence of any Termination Event which is continuing, if the Owners decide to retake possession of the Vessel, the Charterers shall at their expense restore the Vessel to its former condition unless the changes made are carried out:

- (D) to improve the performance, operation or marketability of the Vessel; or
  - (E) as a result of a regulatory compliance.
- (b) Any improvement, structural changes or new equipment becoming necessary for the continued operation of the Vessel by reason of new class requirements or by compulsory legislation shall be for the Charterers' account and the Charterers shall not have any right to recover from the Owners any part of the cost for such improvements, changes or new equipment either during the Charter Period or, to the extent that Clause 43 (*Redelivery*) applies, at redelivery of the Vessel. The Charterers shall give written notice to the Owners of any such improvement, structural changes or new equipment.

#### 41. Hire

- (a) In consideration of the Owners' agreement to charter the Vessel to the Charterers pursuant to the terms hereof, the Charterers agree to pay to the Owners the following sums on the relevant dates as follows:
- (i) on the Delivery Date, the amount of US Dollars Fifty Two Million Five Hundred Thousand (US\$52,500,000) (the "**Advance Hire**") provided that:
    - (A) the Advance Hire shall be subject to netting against the Purchase Price in accordance with the terms of the MOA;
    - (B) the Advance Hire shall not constitute any part of the Hire; and
    - (C) the Advance Hire shall be non-refundable;
  - (ii) on each and every Hire Payment Date, by way of fixed hire (each a "**Fixed Hire**") the relevant amount then payable on the corresponding Hire Payment Date as determined by reference to the column headed "Fixed Hire" in the hire payment schedule as attached as Schedule 1 (*Hire Payment Schedule*) hereto (the "**Hire Payment Schedule**");
  - (iii) on each and every Hire Payment Date, by way of variable hire (each such payment, a "**Variable Hire**") then payable. The amount of Variable Hire payable on each Hire Payment Date is calculated by multiplying (A) the Cost Balance immediately prior to the relevant Hire Payment Date by (B) the aggregate of the Margin and the then Applicable Rate and (C) a fraction whose denominator is three hundred and sixty (360) and numerator is the number of days which will elapse from that Hire Payment Date (including that day) until the next Hire Payment Date (or, if the Hire Period does not end on a Hire Payment Date, the last day of the Hire Period) (not including that day) during the then Hire Period (the "**Formula**").

For the purpose of determining any Hire payment:

- (A) Variable Hire shall accrue during each Hire Period;
- (B) the Charterers hereby expressly acknowledge that the Hire Payment Schedule in its current form and content as attached hereto is based on the Assumed Owners' Costs and therefore on the date hereof is indicative and is for reference purpose only; and
- (C) accordingly, the Charterers irrevocably consent and agree with the Owners that the Owners shall deliver to the Charterers, on or at any relevant time during the Charter Period, an amended Hire Payment Schedule calculated by reference to the relevant circumstances and parameters at such time (including, without limitation, (x) the Actual Owners' Costs and (y) the Cost Balance at any relevant time since the last Hire Payment Schedule is prepared). Any amended Hire Payment Schedule prepared and delivered to the Charterers pursuant to this sub-paragraph (iii) shall, from the date the same is delivered to and approved by the Charterers (such approval not to be unreasonably withheld or delayed), be deemed to be incorporated

into this Charter and, for the purposes of this Charter, shall thereafter:

- (I) constitute the current Hire Payment Schedule; and
  - (II) save for manifest error, be conclusive evidence of the rate of Hire payable under this Charter. The Owners shall, as soon as practicable after receipt of a request of the Charterers, send to the Charterers such details as may reasonably be required by the Charterers setting out the manner in which any such rate of Hire has been calculated, together with such documents and calculations as may reasonably be required by the Charterers in order to verify the same; and
- (D) in the event of any conflict between the Formula and the Hire Payment Schedule, the Hire Payment Schedule shall prevail.
- (b) The Hire shall be paid to the Owners' Account in advance before 4:00 p.m. (Beijing time) on each Hire Payment Date (in respect of which time is of the essence).
  - (c) Any payment provided herein due on any day which is not a Business Day shall be payable on the immediately preceding Business Day.
  - (d) All payments under this Charter shall be made to the account opened in the name of the Owners as specified in Box 26 (Part I) or such other account opened in the name of the Owners (the "**Owners' Account**") with such bank as the Owners may choose, the details of which shall be notified by the Owners to the Charterers no later than five (5) Business Days prior to the Delivery Date (or such other account as the Owners may notify the Charterers in writing from time to time) for credit to the account of the Owners.
  - (e) Following delivery of the Vessel to, and acceptance by, the Charterers under this Charter, the Charterers' obligation to pay Hire in accordance with this Clause 41 (*Hire*) shall, subject to Clause 17 (*Indemnity*), be absolute irrespective of any contingency whatsoever including but not limited to:
    - (i) any set-off (save as permitted under Clause 41(a)), counterclaim, recoupment, defence or other right which the Charterers may have against the Owners, the Finance Parties or any other third party (unless otherwise agreed between the Owners and the Charterers);
    - (ii) any unavailability of the Vessel, for any reason, including but not limited to any action or inaction by any sub-charterer, seaworthiness, condition, design, operation, merchantability or fitness for use or purpose of the Vessel or any apparent or latent defects in the Vessel or its machinery and equipment or the ineligibility of the Vessel for any particular use or trade or for registration of documentation under the laws of any relevant jurisdiction or lack of registration or the absence or withdrawal of any consent required under the applicable law of any relevant jurisdiction for the ownership, chartering, use or operation of the Vessel or any damage to the Vessel;
    - (iii) any lack or invalidity of title or any other defect in title;

- (iv) any failure or delay on the part of either Party to this Charter, whether with or without fault on its part, in performing or complying with any of the terms, conditions or other provisions of this Charter;
- (v) any insolvency, bankruptcy, reorganisation, arrangement, readjustment of debt, dissolution, administration, liquidation or similar proceedings by or against the Owners, the Charterers or any Sub-Charterers, or any change in the constitution of the Owners, the Charterers or any Sub-Charterers;
- (vi) any invalidity or unenforceability or lack of due authorisation of or any defect in this Charter or any Sub-charter (where applicable); or
- (vii) any other cause which would but for this provision have the effect of terminating or in any way affecting the obligations of the Charterers hereunder,

it being the intention of the Parties that the provisions of this Clause 41 (*Hire*), and the obligation of the Charterers to pay Hire and make any payments under this Charter, shall (save as expressly provided in this Clause 41 (*Hire*)) survive any frustration and that, save as expressly provided in this Charter, no moneys paid under this Charter by the Charterers to the Owners shall in any event or circumstance be repayable to the Charterers).

- (f) All payments of Hire and all other Unpaid Sums to the Owners pursuant to this Charter and the other relevant Transaction Documents shall be made in immediately available funds in USD, free and clear of, and without deduction for or on account of, any Taxes, unless the Charterers are required by law or regulation to make any such payment of Hire subject to such taxes.
- (g) In the event that the Charterers are required by any law or regulation to make any deduction or withholding on account of any taxes which arise as a consequence of any payment due under this Charter, then:
  - (i) the Charterers shall notify the Owners promptly after they become aware of such requirement;
  - (ii) the Charterers shall remit the amount of such taxes to the appropriate taxation authority within any applicable time limits and in any event prior to the date on which penalties attach thereto; and
  - (iii) such payment shall be increased by such amount as may be necessary to ensure that the Owners receive a net amount which, after deducting or withholding such taxes, is equal to the full amount which the Owners would have received had such payment not been subject to such taxes.
- (h) The Charterers shall forward to the Owners evidence satisfactory to the Owners that any such taxes have been remitted to the appropriate taxation authority within thirty (30) days of the expiry of any time limit within which such taxes must be so remitted or, if earlier, the date on which such taxes are so remitted.
- (i) Subject to paragraph (a)(i) of Clause 51 (*Termination Events*), if the Charterers fail to pay any amount payable by it under a Transaction Document on its due date, interest shall accrue on the Unpaid Sum from the due date up to the date of actual payment

(both before and after judgment) at a rate which is two per cent (2%) per annum higher than the rate which would have been payable if the Unpaid Sum had, during the period of non-payment, constituted a Fixed Hire in the currency of the Unpaid Sum for successive Hire Periods. Any interest accruing under this paragraph (i) shall be immediately payable by the Charterers on demand by the Owners. Default interest (if unpaid) arising on an Unpaid Sum will be compounded with the Unpaid Sum at the end of each period selected by the Owners but will remain immediately due and payable.

(j) In the event that this Charter is terminated for whatever reason, the Charterers' obligation to pay Hire and such other Unpaid Sum which (in each case) has accrued due before such termination, and which remains unpaid at the date of such termination, shall continue notwithstanding such termination.

(k) In the event that it becomes unlawful or it is prohibited for either the Owners or the Charterers to charter the Vessel pursuant to this Charter, then the Owners and Charterers shall, if and to the extent that such new or changed law or regulation or such interpretation or application permit, notify the other Party of the relevant event and negotiate in good faith for a period of thirty (30) days from the date of the receipt of the relevant notice by the other Party to agree an alternative. If such agreement is not reached within such thirty (30)-day period, the Charterers agree that, in such circumstances, the Owners shall have the right to terminate this Charter by delivering to the Charterers a Termination Notice, whereupon the Charterers shall be obliged to pay to the Owners the Early Termination Amount.

(l) Subject to paragraph (n) below, the Charterers shall, within ten (10) Business Days of a demand by the Owners, pay to the Owners the amount of any Increased Costs incurred directly by the Owners as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation or (ii) compliance with any law or regulation made after the date of this Charter.

(i) "Increased Costs" means:

(A) a reduction in the rate of return from the Hire or on the Owners' overall capital;

(B) an additional or increased cost; or

(C) a reduction of any amount due and payable under any Transaction Document,

which is incurred or suffered by the Owners to the extent that it is attributable to the Owners having entered into any Transaction Document or funding or performing its obligations under any Transaction Document.

(m) The Owners shall notify the Charterers of any claim arising from paragraph (l) above (and of the event giving rise to such claim). The Owners shall, as soon as practicable after having made a demand in respect of such claim, provide a certificate confirming the amount of its Increased Costs.

(n) Paragraph (l) above does not apply to the extent any Increased Costs is:

(i) compensated for by a payment made under paragraph (g)(iii) above; or

- (ii) attributable to the wilful breach by the Owners of any law or regulation.
- (o) The Charterers shall, within ten (10) Business Days of demand by the Owners, pay to the Owners any Break Costs.
- (p) Any certificate or statement signed by an authorised signatory of the Owners purporting to show the amount of the Debt (or any part of the Debt) or any other amount referred to in any Transaction Document shall, save for manifest error or on any question of law, be conclusive evidence as against the Charterers of that amount. The Owners shall, as soon as practicable after receipt of a request of the Charterers, send to the Charterers such details as may reasonably be required by the Charterers setting out the manner in which any such amount has been calculated **provided that** any such amount, except in the case of manifest error or on any question of law, shall be payable irrespective of whether the Charterers are satisfied with the form or content of any such detail, document or calculation.
- (q) If a change in any currency occurs, this Charter will, to the extent the Owners and the Charterers agree to be necessary, be amended to comply with any generally accepted conventions and market practice in the relevant market and otherwise to reflect the change in currency.
- (r)
  - (i) If no Screen Rate is available for LIBOR for that relevant period, the applicable LIBOR shall be the Interpolated Screen Rate for a period equal in length to that relevant period; and
  - (ii) If no Screen Rate is available for LIBOR for that relevant period and it is not possible to calculate the Interpolated Screen Rate, the applicable LIBOR shall be the Reference Bank Rate as of 11:00a.m. London time for USD and for a period equal in length to that relevant period. Market Disruption Event
  - (iii) In this Charter a **Market Disruption Event** shall occur if:
    - (A) at or about noon on the Applicable Rate Determination Date for an Applicable Rate Period LIBOR is not available and the Owners is unable to obtain quotes from leading banks in the London interbank market enabling it to determine LIBOR for the relevant Applicable Rate Period; or
    - (B) before close of business in London on the Applicable Rate Determination Date for an Applicable Rate Period, the Owners notify the Charterers that the cost to it of funding the Cost Balance from whatever source it may reasonably select for that Applicable Rate Period would be in excess of LIBOR.
  - (iv) If a Market Disruption Event has occurred in relation to that Applicable Rate Period, the Applicable Rate shall be the rate which expresses as a percentage rate per annum the cost to the Owners of the Cost Balance from whatever source it may reasonably select.
  - (v) If a Market Disruption Event occurs and the Owners and/or the Charterers so require, the Owners and the Charterers shall enter into negotiations (for a

period of not more than 30 days) with a view to agreeing a substitute basis (replacing LIBOR) for determining the Variable Hire. Any alternative basis so agreed shall, with the prior consent of the Charterers and the Owners, be binding on all of the Parties. In the absence of such agreement, the Variable Hire shall be determined in accordance with Sub-clause(ii) above provided that the Charterers shall have the right, upon giving thirty (30) days notice to the Owners, to terminate this Charter, whereupon the Charterers shall be obliged to pay to the Owners the Early Termination Amount.

(s) Discontinuance of LIBOR

If LIBOR is discontinued, the Parties agree to substitute an alternative benchmark for determining the Variable Hire based on the prevailing market practice and having regard to the legal and regulatory requirements applicable to any of them. In the absence of any agreement the Charterers shall have the right upon giving thirty (30) days notice to the Owners, to terminate this Charter, whereupon the Charterers shall be obliged to pay to the Owners the Early Termination Amount.

## 42. Insurance

- (a) During the Agreement Term, the Charterers shall at their expense keep the Vessel insured against fire and usual marine risks (including hull and machinery and excess risks), oil pollution liability risks, war and protection and indemnity risks (and any risks against which it is compulsory to insure for the operation for the Vessel) in US Dollars and in such market and on such terms as the Owners and the Finance Parties (if any) shall in writing approve (such approval shall not be unreasonably withheld).
- (b) Such insurances shall be arranged by the Charterers to protect the interests of the Owners, the Charterers and (if any) the mortgagee of the Vessel or such other relevant Finance Party, and the Charterers shall be at liberty to protect under such insurances the interests of any Approved Manager.
- (c) Insurance policies shall cover the Owners, the Charterers and (if any) the Finance Parties according to their respective interests. Subject to the approval of the Owners (acting on the instructions or with the approval of the Finance Parties (in each case if applicable)) and the insurers, the Charterers shall effect all insured repairs and shall undertake settlement and reimbursement from the insurers of all costs in connection with such repairs as well as insured charges, expenses and liabilities to the extent of coverage under the insurances herein provided for.
- (d) The Charterers shall also remain responsible for and effect repairs and settlement of costs and expenses incurred thereby in respect of all other repairs not covered by the insurances and/or not exceeding any possible franchise(s) or deductibles provided for in the insurances.
- (e) The Charterers shall arrange that, at any time during the Agreement Term, the hull and machinery and war risks insurance shall be in an amount not less than the greater of:
  - (i) an amount which equals one hundred and twenty per cent (120%) of the Cost Balance; and
  - (ii) the current Market Value of the Vessel.



- (f) The terms of the hull and machinery insurance and the identity of the insurers shall be acceptable to the Owners and (if any) the Finance Parties. The Vessel shall be entered in a P&I Club which is a member of the International Group of Protection and Indemnity Association (or if the International Group of Protection and Indemnity Association ceases to exist, such P&I Club as may be approved by the Owners and (if any) the Finance Parties) on customary terms and shall be covered against liability for pollution claims in an amount not less than US Dollars one billion (US\$1,000,000,000). The P&I cover shall be placed with a P&I Club acceptable to the Owners and (if any) the Finance Parties. All insurances shall include customary protection in favour of the Owners and (if any) the Finance Parties as notice of cancellation and exclusion from liability for premiums or calls. The insurance policies or cover notes for the hull and machinery insurance shall name the Owners as co- assured, endorsing its rights and interests. The Owners shall be entered as a member for the P&I cover and war risks insurance.
- (g) The Charterers:
- (i) undertake to place the Insurances in such markets, in such currency, on such terms and conditions, and with such brokers, underwriters and associations as the Owners and, if applicable, the Finance Parties shall have previously approved in writing; and
  - (ii) shall not alter the terms of any of the Insurances nor allow any person (except the Approved Manager) to be co-assured under any of the Insurances without the prior written consent of the Owners and, if applicable, the Finance Parties, and will supply the Owners and, if applicable, the Finance Parties from time to time on request with such information as the Owners and, if applicable, any Finance Party may in their discretion require with regard to the Insurances and the brokers, underwriters or associations through or with which the Insurances are placed.
- (h) The Charterers undertake duly and punctually to pay all premiums, calls and contributions, and all other sums at any time payable in connection with the Insurances, and, at their own expense, to arrange and provide any guarantees from time to time required by any protection and indemnity or war risks association. Upon request, the Charterers shall provide the Owners and/or such Finance Party with (i) copies of all invoices issued by the brokers, underwriters or associations in respect of such premiums calls, contributions and other sums, and (ii) evidence satisfactory to the Owners and/or such Finance Party that such premiums, calls, contributions and other sums have been duly and punctually paid; that any such guarantees have been duly given; and that all declarations and notices required by the terms of any of the Insurances to be made or given by or on behalf of the Charterers to brokers, underwriters or associations have been duly and punctually made or given.
- (i) The Charterers will comply in all respects with all terms and conditions of the Insurances and will make all such declarations to brokers, underwriters and associations as may be required to enable the Vessel to operate in accordance with the terms and conditions of the Insurances. The Charterers will not do, nor permit to be done, any act, nor make, nor permit to be made, any omission, as a result of which any of the Insurances may become liable to be suspended, cancelled or avoided, or may become unenforceable, or as a result of which any sums payable under or in connection with any of the Insurances may be reduced or become liable

to be repaid or rescinded in whole or in part. In particular, but without limitation, the Charterers will not permit the Vessel to be employed other than in conformity with the Insurances without first taking out additional insurance cover in respect of that employment in all respects to the satisfaction of the Owners and, if applicable, the Finance Parties, and the Charterers will promptly notify the Owners and, if applicable, the Finance Parties of any new requirement imposed by any broker, underwriter or association in relation to any of the Insurances.

- (j) The Charterers will endeavour and before the expiry of any of the Insurances renew them and shall as soon as reasonably thereafter (but in any event within fifteen (15) days after the relevant renewals) give the Owners and, if applicable, the Finance Parties such details of those renewals as the Owners and, if applicable, the Finance Parties may require.
- (k) The Charterers shall deliver to the Owners and, if applicable, the Finance Parties certified copies (and, if required by the Owners and/or (if applicable) any Finance Parties, the originals) of all policies, certificates of entry (endorsed with the appropriate loss payable clauses as may be required by the Owners and the Finance Parties from time to time) and other documents relating to the Insurances (including, without limitation, receipts for premiums, calls or contributions) and shall procure that letters of undertaking in such form as the Owners and, if applicable, the Finance Parties may approve shall be issued to the Owners and, if applicable, the Finance Parties by the brokers through which the Insurances are placed (or, in the case of protection and indemnity or war risks associations, by their managers). If the Vessel is at any time during the Agreement Term insured under any form of fleet cover, the Charterers shall procure that those letters of undertaking contain confirmation that the brokers, underwriters or association (as the case may be) will not set off claims relating to the Vessel against premiums, calls or contributions in respect of any other vessel or other insurance, and that the insurance cover of the Vessel will not be cancelled by reason of non-payment of premiums, calls or contributions relating to any other vessel or other insurance. Failing receipt of those confirmations, the Charterers will instruct the brokers, underwriters or association concerned to issue a separate policy or certificate for the Vessel in the sole name of the Charterers or of the Charterers' brokers as agents for the Charterers.
- (l) Upon the Owners' request, the Charterers shall provide the Owners and, if applicable, the Finance Parties with full information available to the Charterers regarding any casualty or other accident or damage to the Vessel, including, without limitation, any communication with all parties involved in case of a claim under any of the Insurances.
- (m) The Charterers agree that, at any time after the occurrence of a Termination Event which is continuing, the Owners and, if applicable, the Finance Parties shall be entitled to collect, sue for, recover and give a good discharge for all claims in respect of any of the Insurances; to pay collecting brokers the customary commission on all sums collected in respect of those claims; to compromise all such claims or refer them to arbitration or any other form of judicial or non-judicial determination; and otherwise to deal with such claims in such manner as the Owners and, if applicable, the Finance Parties shall in their discretion think fit.

- (n) Whether or not a Termination Event shall have occurred, the proceeds of any claim under any of the Insurances in respect of a Total Loss shall be paid and applied in accordance with Clause 57 (*Total Loss*).
- (o) In the event of any claim in respect of any of the Insurances (other than in respect of a Total Loss), if the Charterers shall fail to reach agreement with any of the brokers, underwriters or associations for the immediate restoration of the Vessel, or for payment to third parties, within such time as the Owners and, if applicable, the Finance Parties may stipulate, the Owners and, if applicable, the Finance Parties shall be entitled to require payment to itself. In the event of any dispute arising between the Charterers and any broker, underwriter or association with respect to any obligation to make any payment to the Charterers or to the Owners and/or (if applicable) the Finance Parties under or in connection with any of the Insurances, or with respect to the amount of any such payment, the Owners and/or (if applicable) the Finance Parties shall be entitled to settle that dispute directly with the broker, underwriter or association concerned. Any such settlement shall be binding on the Charterers.
- (p)
- (i) The Owners agree that any amounts which may become due under any protection and indemnity entry or insurance shall be paid to the Charterers to reimburse the Charterers for, and in discharge of, the loss, damage or expense in respect of which they shall have become due, unless, at the time the amount in question becomes due, a Termination Event shall have occurred and is continuing, in which event the Owners shall be entitled to receive the amounts in question and to apply them either in reduction of the Early Termination Amount owed by the Charterers pursuant to paragraph (d) of Clause 51 (*Termination Events*) or, at the option of the Owners, to the discharge of the liability in respect of which they were paid.
- (ii) Without prejudice to the foregoing, all other claims in relation to the Insurances (other than in respect of a Total Loss), shall, unless and until the occurrence of a Termination Event which is continuing, in which event all claims under the relevant policy shall be payable directly to the Owners, be payable as follows:
- (A) a claim in respect of any one casualty where the aggregate claim against all insurers does not exceed the Major Casualty Amount, prior to adjustment for any franchise or deductible under the terms of the relevant policy, shall be paid directly to the Charterers (as agent for the Owners) for the repair, salvage or other charges involved or as a reimbursement if the Charterers fully repaired the damage to the satisfaction of the Owners and paid all of the salvage or other charges;
- (B) a claim in respect of any one casualty where the aggregate claim against all insurers exceeds the Major Casualty Amount prior to adjustment for any franchise or deductible under the terms of the relevant policy shall be payable directly to the Owners unless the Owners have, by prior written consent, agreed for such claim to be paid to the Charterers as and when the Vessel is restored to her

former state and condition and the liability in respect of which the insurance loss is payable is discharged, and provided that the insurers may with such consent make payment on account of repairs in the course of being effected.

- (q) The Charterers shall not settle, compromise or abandon any claim under or in connection with any of the Insurances (other than a claim of less than the Major Casualty Amount arising other than from a Total Loss) without the prior written consent of the Owners and, if applicable, the Finance Parties.
- (r) If the Charterers fail to effect or keep in force the Insurances, the Owners may (but shall not be obliged to) effect and/or keep in force such insurances on the Vessel (including, without limitation, any freight, demurrage and defence cover) and such entries in protection and indemnity or war risks associations as the Owners in their discretion consider desirable, and the Owners may (but shall not be obliged to) pay any unpaid premiums, calls or contributions. The Charterers will reimburse the Owners from time to time on demand for all such premiums, calls or contributions paid by the Owners, together with interest calculated in accordance with paragraph (r) of Clause 41 (*Hire*) from the date of payment by the Owners until the date of reimbursement.
- (s) The Charterers shall comply strictly with the requirements of any legislation relating to pollution or protection of the environment which may from time to time be applicable to the Vessel in any jurisdiction in which the Vessel shall trade and in particular the Charterers shall comply strictly with the requirements of the United States Oil Pollution Act 1990 (the “**Act**”) if the Vessel is to trade in the United States of America and Exclusive Economic Zone (as defined in the Act). Before any such trade is commenced and during the entire period during which such trade is carried on, the Charterers shall:
  - (i) pay any additional premiums required to maintain protection and indemnity cover for oil pollution up to the limit available to the Charterers for the Vessel in the market; and
  - (ii) make all such quarterly or other voyage declarations as may from time to time be required by the Vessel’s protection and indemnity association in order to maintain such cover, and promptly deliver to the Owners and, if applicable, the Finance Parties copies of such declarations; and
  - (iii) submit the Vessel to such additional periodic, classification, structural or other surveys which may be required by the Vessel’s protection and indemnity insurers to maintain cover for such trade and promptly deliver to the Owners and, if applicable, the Finance Parties copies of reports made in respect of such surveys; and
  - (iv) implement any recommendations contained in the reports issued following the surveys referred to in subparagraph 42(s)(iii) above within the relevant time limits, and provide evidence satisfactory to the Owners and, if applicable, the Finance Parties that the protection and indemnity insurers are satisfied that this has been done; and

- (v) in addition to the foregoing (if such trade is in the United States of America and Exclusive Economic Zone):
  - (A) obtain and retain a certificate of financial responsibility under the Act in form and substance satisfactory to the United States Coast Guard and provide the Owners with evidence of the same;
  - (B) procure that the protection and indemnity insurances do not contain a US Trading Exclusion Clause or any other analogous provision and provide the Owners with evidence that this is so; and
  - (C) comply strictly with any operational or structural regulations issued from time to time by any relevant authorities under the Act so that at all times the Vessel falls within the provisions which limit strict liability under the Act for oil pollution.
- (t) The Owners shall be at liberty to, in relation to the Vessel, take out Lessor's or Innocent Owners' Interest Insurance and Lessor's Additional Peril (Pollution) insurance on such terms and conditions as the Owners may from time to time decide. The Charterers shall from time to time upon the Owners' demand reimburse the Owners for all costs, premiums and expenses paid or incurred by the Owners in connection with such Lessor's or Innocent Owners' Interest Insurance and Lessor's Additional Peril (Pollution) insurance, but only to the extent corresponding to each of the Lessor's or Owners' Interest Insurance or Lessor's Additional Peril (Pollution) insurance for an amount not exceeding one hundred and twenty per cent (120%) of the then current Cost Balance.
- (u) Any Finance Party shall be at liberty to take out a Mortgagees' Interest Insurance in relation to the Vessel on such terms and conditions as that Finance Party may from time to time decide. The Owners shall upon the Charterers' request and upon receipt of such information from the Finance Party, inform the Charterers of such costs, premiums and expenses required and prior to taking out the Mortgagees' Interest Insurance. The Charterers shall from time to time upon the Owners' demand reimburse the Owners for all costs, premiums and expenses paid or incurred by the Owners or that Finance Party in connection with such Mortgagees' Interest Insurance, but only to the extent corresponding to a Mortgagee's Interest Insurance for an amount not exceeding one hundred and twenty per cent. (120%) of the amount then outstanding under any loan made available by the Finance Parties pursuant to any Finance Documents.

#### 43. Redelivery

In the event that the Charterers have not exercised the purchase option pursuant to Clause 55 (*Purchase Option and transfer of title*) at the end of the Charter Period, or upon the occurrence of any Termination Event which is continuing, the Owners decide to retake possession of the Vessel pursuant to paragraph (g) of Clause 51 (*Termination Events*), then the Charterers shall, at their own cost and expense, redeliver or cause to be redelivered the Vessel to the Owners at a safe, ice free port reasonably nominated solely by the Owners where the Vessel would be afloat at all times in a ready safe berth or anchorage, in accordance with Clauses 43 (*Redelivery*), 44 (*Redelivery conditions*) and 45 (*Diver's inspection at redelivery*).

#### 44. Redelivery conditions

- (a) In addition to what has been agreed in Clauses 43 (*Redelivery*) (Part II) and 43 (*Redelivery*), the condition of the Vessel shall at redelivery be as follows:
- (i) the Vessel shall be free of any class and statutory recommendations affecting its trading certificates;
  - (ii) the Vessel must be redelivered with all equipment and spares or replacement items listed in the delivery inventory carried out pursuant to Clause 9 (*Inventories, Oil and Stores*) (Part II) and any spare parts on board or on order for any equipment installed on the Vessel following delivery (provided that, any such items which are on lease or hire purchase and which are necessary to stay on board the Vessel in order that the Vessel may comply with the requisite requirements of the Classification Society and other applicable requirements for national and/or international trading requirements shall be replaced with items of an equivalent standard and condition fair wear and tear excepted)); all records, logs, plans, operating manuals and drawings, spare parts onboard shall be included at the time of redelivery in connection with a transfer of the Vessel or such other items as are then in the possession of the Charterers shall be delivered to the Owners;
  - (iii) the Vessel must be redelivered with all national and international trading certificates and hull/machinery survey positions for both class and statutory surveys free of any overdue recommendation and qualifications valid and un- extended for a period of at least six (6) months beyond the redelivery date;
  - (iv) all of the Vessel's ballast tank coatings to be maintained in "Fair" (as such term (or its equivalent) may be defined and/or interpreted in the relevant survey report) condition as appropriate for the Vessel's age at the time of redelivery, fair wear and tear excepted;
  - (v) the Vessel shall have not have any outstanding flag or class surveys or inspections due within six (6) months after the date of redelivery and have its continuous survey system up to date;
  - (vi) the Vessel must be re-delivered with accommodation and common spaces for crew and officers substantially in the same condition as at the Delivery Date, free of damage over and above fair wear and tear, clean and free of infestation and odours; with cargo spaces generally fit to carry the cargoes originally designed and intended for the Vessel; with main propulsion equipment, auxiliary equipment, cargo handling equipment, navigational equipment, etc., in such operating condition as provided for in this Charter fair wear and tear excepted;
  - (vii) the Vessel shall be free and clear of all liens other than those created by or on the instruction of the Owners;
  - (viii) the condition of the cargo holds to be in accordance with the maintenance regime undertaken by the Charterers during the Charter Period since delivery with allowance for legitimate cargoes carried since the last major maintenance programme;

- (ix) at the costs and expenses of the Charterers, a final joint report from the surveyors appointed by the Owners and the Charterers respectively shall be carried out as to the condition of the Vessel and a list of agreed deficiencies if any shall be drawn up;
  - (x) the anti-fouling coating system applied at the last scheduled dry-docking shall be in accordance with prevailing regulations at the time of application;
  - (xi) the funnel markings and name (unless being maintained by the Owners following redelivery) shall be painted out by the Charterers; and
  - (xii) recently taken lube oil samples for all major machinery shall be made available within one (1) week of redelivery and results forwarded to Owners' technical management for review.
- (b) At redelivery, the Charterers shall ensure that the Vessel shall meet the following performance levels (which where relevant shall be determined by reference to the Vessel's log books):
- (i) all equipment controlling the habitability of the accommodation and service areas to be in proper working order, fair wear and tear excepted; and
  - (ii) available deadweight to be within one per cent (1%) of that achieved at delivery (as the same may be adjusted as a result of any upgrading, modifications, alterations or repairs of the Vessel carried out in accordance with this Charter (such adjustment to be agreed between the Owners and Charterers at the time such work is to be undertaken).
- (c) The Owners and Charterers shall each appoint (at the Charterers' cost and expense) surveyors for the purpose of determining and agreeing in writing the condition of the Vessel at redelivery.
- (d) If the Vessel is not in the condition or does not meet the performance criteria required by this Clause 44, a list of deficiencies together with the costs of repairing/remedying such deficiencies shall be agreed by the respective surveyors.
- (e) The Charterers shall be obliged to repair any class items restricting the operation or trading of the Vessel prior to redelivery.
- (f) The Charterers shall be obliged to repair/remedy all such other deficiencies as are necessary to put the Vessel into the return condition required by this Clause 44.
- (g) Until such time as any compensatory amount in respect of any repairs/remedial work outstanding as at redelivery has been paid in accordance with the terms of this Charter and the Vessel has been redelivered, the Charterers shall continue to pay the Hire in accordance with the terms of this Charter.

#### 45. Diver's inspection at redelivery

- (a) Unless the Vessel is returned in dry-dock, a diver's inspection is required to be performed at the time of redelivery.

- (b) The Charterers shall, at the written request of the Owners, arrange at the Charterers' time and expense for an underwater inspection by a diver approved by the Classification Society immediately prior to the redelivery.
- (c) A video film of the inspection shall be made. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the Classification Society.
- (d) If damage to the underwater parts is found affecting the Vessel's class, the Charterers shall arrange, at their time and costs, for the Vessel to be dry-docked and repairs carried out to the satisfaction of the Classification Society and if damage to the underwater parts is found but such damage does not affect the Vessel's class and the Classification Society approves the postponement of repair of such damage until the next regular dry-docking of the Vessel, the Owners may (acting reasonably) agree that such repairs to be done after redelivery without immediate dry-docking provided that (i) the Charterer undertakes to indemnify the Owners any costs and expenses that the Owners may incur in repairing the damage to the satisfaction of the Classification Society and (ii) a deposit sufficient to cover the estimated repair cost has been paid to the Owners.
- (e) If the conditions at the port of redelivery are unsuitable for such diver's inspection, the Charterers shall take the Vessel (in Owners' time but at Charterers' expense) to a suitable alternative place nearest to the redelivery port unless an alternative solution is agreed.

All costs relating to any diver's inspection shall be borne by the Charterers.

#### 46. Owners' mortgage

- (a) The Charterers:
  - (i) acknowledge that the Owners, on the basis that the Owners comply with paragraph(b)(i) below, are entitled and do intend to enter or have entered into certain funding arrangements with the Finance Parties in order to finance part of the Actual Owners' Cost, which funding arrangements may be secured, inter alia, by ship mortgage(s) over the Vessel and (along with other related matters) the relevant Finance Documents;
  - (ii) consent to any assignment of the Owners' rights, title and interest in and to the Insurances, Sub-Charterers' Insurances, Earnings, Sub-Charterers' Earnings, Requisition Compensation and Sub-Charterers' Requisition Compensation (including the Owners' rights, title and interest in and to such property as assigned by the Charterers and/or the Sub-Charterers (as applicable) in favour of the Owners pursuant to the Charterers' Assignment and/or the Sub-Charterers' Assignment) and any Transaction Document to which it is a party in favour of the Finance Parties pursuant to the relevant Finance Documents subject to the Financing Party entering into a Quiet Enjoyment Letter pursuant to paragraph (b)(i) below; and
  - (iii) without limiting the generality of paragraph (n) of Clause 49 (*Charterers' undertakings*), undertake to execute, provide or procure the execution or provision (as the case may be) of such further reasonably information or



document as are necessary to effect the assignment referred to in paragraph (ii) above.

(b) The Owners undertake that:

- (i) in the absence of any Termination Event which is continuing, the Owners shall procure that the Finance Party which will be a mortgagee of the Vessel shall execute in favour of the Charterers a Quiet Enjoyment Letter;
- (ii) if any Sub-Charterers who are chartering the Vessel on a bareboat basis or on a time charter fixed for a period exceeding twenty-four (24) months from the Charterers as disponent owner so requests, and **provided that**:
  - (A) the Charterers have executed an assignment (in form and substance acceptable to the Owners) by way of security of the Charterers' rights, title and interests in and to the relevant Sub-Charter;
  - (B) the Sub-Charterers have executed a Sub-Charterers' Assignment;
  - (C) to the extent that any prior written consent from such Sub-Charterers is required before the Charterers may assign by way of security referred to in sub-paragraph (b)(ii)(A) above, the Charterers have procured to be delivered to the Owners evidence that such Sub-Charterers have granted such prior written consent;
  - (D) the Charterers have delivered to the Owners all documents required by such assignment referred to in this Clause 46(b)(ii) including, without limitation, all other notices of assignment and used reasonable endeavours to procure delivery of any other acknowledgements thereof (each in form and substance acceptable to the Owners (acting reasonably), including cure rights in favour of the Owners; and
  - (E) the Charterers have procured to be delivered to the Owners any relevant legal opinions (in form and substance acceptable to the Owners) reasonably required by the Owners in relation to such assignment and its execution,

the Owners will (i) execute in favour of such Sub-Charterers a Sub-Charter Quiet Enjoyment Letter and (ii) (in the case of the Sub-Charter being a bareboat charter) procure that the Finance Party which will be a mortgagee of the Vessel shall execute in favour of the Sub-Charterers a Sub-Charter Quiet Enjoyment Letter and (in the case of the Sub-Charter being a time charter fixed for a period exceeding forty-eight (48) months, with a Sub-Charter hire rate higher than the rate of Hire in the BBC and provided that all the "know your client" requirements of the relevant mortgagee are satisfied) use its best endeavours to procure such mortgagee to execute in favour of the Sub-Charterers a Sub-Charter Quiet Enjoyment Letter).

All costs properly incurred by the Owners in respect of any action taken by the Owners under sub-paragraph (ii) above will be borne by the Charterers.

- (c) Without prejudice to the foregoing, the Owners' may assign or transfer their rights under this Charter without the prior written consent of the Charterers.

47. **Transport documents**

The Charterers shall use their standard documents, waybills and conditions of carriage in the carriage of goods. Such documents, waybills and standard conditions shall comply with compulsory applicable legislation.

48. **Charterers' representations and warranties**

- (a) The Charterers represent and warrant to the Owners on the date of this Charter and (by reference to the facts and circumstances then pertaining) on the Delivery Date and each Hire Payment Date as follows (except that (1) the representation and warranty contained in paragraph (vii) and (xxiv) below shall only be made on the date of this Charter and on the Delivery Date, and (2) the representations and warranties in paragraph (ii) below shall only be made on the date of this Charter):
  - (i) **Status and due authorisation:** each Obligor is a corporation, limited partnership or limited liability company duly incorporated or formed under the laws of its jurisdiction of incorporation or formation (as the case may be) with power to enter into the Transaction Documents and the Project Documents (to which it is a party) and to exercise its rights and perform its obligations under the Transaction Documents and the Project Documents (to which it is a party) and all corporate and other action required to authorise its execution of the Transaction Documents and the Project documents (to which it is a party) and its performance of its obligations thereunder has been duly taken;
  - (ii) **No deductions or withholding:** under the laws of the Obligor's respective jurisdictions of incorporation or formation in force at the date hereof, none of the Obligor's will be required to make any deduction or withholding from any payment it may make under any of the Transaction Documents;
  - (iii) **Claims pari passu:** under the laws of the Obligor's respective jurisdictions of incorporation or formation in force at the date hereof, the payment obligations of each Obligor under each Transaction Document to which it is a party, rank at least *pari passu* with the claims of all other unsecured and unsubordinated creditors of such Obligor save for any obligations which are preferred solely by any bankruptcy, insolvency or other similar laws of general application;
  - (iv) **No Immunity:** in any proceedings taken in any of the Obligor's respective jurisdictions of incorporation or formation in relation to any of the Transaction Documents, none of the Obligor's will be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process;
  - (v) **Governing law and judgments:** in any proceedings taken in any of the Obligor's jurisdiction of incorporation or formation in relation to any of the Transaction Documents in which there is an express choice of the law of a particular country as the governing law thereof, that choice of law and any judgment or (if applicable) arbitral award obtained in that country will be recognised and enforced;

- (vi) **Validity and admissibility in evidence:** as at the date hereof, all acts, conditions and things required to be done, fulfilled and performed in order (A) to enable each of the Obligors lawfully to enter into, exercise its rights under and perform and comply with the obligations expressed to be assumed by it in the Transaction Documents and the Project Documents to which it is a party, (B) to ensure that the obligations expressed to be assumed by each of the Obligors in the Transaction Documents and the Project Documents are legal, valid and binding, and (C) to make the Transaction Documents and the Project Documents to which it is a party admissible in evidence in the jurisdictions of incorporation or formation of each of the Obligors, have been done, fulfilled and performed;
- (vii) **No filing or stamp taxes:** under the laws of the Obligors' respective jurisdictions of incorporation or formation in force at the date hereof, it is not necessary that any of the Transaction Documents to which it is a party be filed, recorded or enrolled with any court or other authority in its jurisdiction of incorporation or formation (other than the Registrar of Companies for England and Wales or the relevant maritime registry, to the extent applicable) or that any stamp, registration or similar tax be paid on or in relation to any of the Transaction Document;
- (viii) **Binding obligations:** the obligations expressed to be assumed by each of the Obligors in the Transaction Documents and the Project Documents to which it is a party are legal and valid obligations, binding on each of them in accordance with the terms of such Transaction Documents and the Project Documents and no limit on any of their powers will be exceeded as a result of the borrowings, granting of security or giving of guarantees contemplated by such Transaction Documents and the Project Documents or the performance by any of them of any of their obligations thereunder;
- (ix) **No misleading information:** to the best of its knowledge, any factual information provided by any Obligor to the Owners in connection with the Transaction Documents was true and accurate in all material respects as at the date it was provided and is not misleading in any material respect;
- (x) **No winding-up:** none of the Obligors has taken any corporate, limited liability company or limited partnership action nor have any other steps been taken or legal proceedings been started or (to the best of the Charterers' knowledge and belief) threatened against any Obligor for its winding-up, dissolution, administration or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of it or of any or all of its assets or revenues which might have a Material Adverse Effect;
- (xi) **Solvency:**
- (A) None of the Obligors is unable, or admits or has admitted its inability, to pay its debts or has suspended making payments in respect of any of its debts;
- (B) None of the Obligors by reason of actual or anticipated financial difficulties, has commenced, or intends to commence, negotiations

with one or more of its creditors with a view to rescheduling any of its indebtedness.

- (C) The value of the assets of each Obligor is not less than the liabilities of such Obligor (as the case may be) (taking into account contingent and prospective liabilities).
  - (D) No moratorium has been, declared in respect of any indebtedness of any Obligor;
- (xii) **No material defaults:**
- (A) Without prejudice to paragraph (B) below, none of the Obligors are in breach of or in default under any agreement to which it is a party or which is binding on it or any of its assets to an extent or in a manner which might have a Material Adverse Effect.
  - (B) No Potential Termination Event or Termination Event is continuing or might reasonably be expected to result from each Obligor's entry into and performance of each Transaction Document to which such Obligor is a party;
- (xiii) **No material proceedings:** no material action or administrative proceeding of or before any court, arbitral body or agency which is not covered by adequate insurance or which might have a Material Adverse Effect has been started;
- (xiv) **Accounts:** all financial statements relating to the Charterers and/or the Charter Guarantors required to be delivered under paragraph (a) of Clause 49 (*Charterers' undertakings*), were each prepared in accordance with GAAP, (in conjunction with the notes thereto) fairly represent the financial condition of the Charterers and/or the Charter Guarantors at the date as of which they were prepared and the results of their operations during the financial period then ended;
- (xv) **No obligation to create Security Interest:** the execution of the Transaction Documents by the Obligors and their exercise of their rights and performance of their obligations thereunder will not result in the existence of nor oblige any Obligor to create any Security Interest over all or any of their present or future revenues or assets, other than pursuant to the Security Documents to which they are a party;
- (xvi) **No breach:** the execution of the Transaction Documents and the Project Documents by each of the Obligors and their exercise of their rights and performance of their obligations under any of the Transaction Documents and the Project Documents to which they are a party do not constitute and will not result in any breach of any agreement or treaty to which any of them is a party;
- (xvii) **Security:** each of the Obligors is the legal and beneficial owner of all assets and other property which it purports to charge, mortgage, pledge, assign or otherwise secure pursuant to each Security Document and those Security

Documents to which it is a party create and give rise to valid and effective security having the ranking expressed in those Security Documents;

- (xviii) **Necessary authorisations:** the Necessary Authorisations required by each Obligor are in full force and effect, and each Obligor is in compliance with the material provisions of each such Necessary Authorisation relating to it and, to the best of its knowledge, none of the Necessary Authorisations relating to it are the subject of any pending or threatened proceedings or revocation;
- (xix) **No money laundering etc:** the performance of the obligations of the Obligors under the Transaction Documents and the Project Documents, will be for the account of members of the respective Obligor(s) and will not involve any breach by any of them of any law or regulatory measure relating to “money laundering” as defined in Article 1 of the Directive (2005/EC/60) of the European Parliament and of the Council of the European Communities;
- (xx) **Disclosure of material facts:** the Charterers are not aware of any material facts or circumstances which have not been disclosed to the Owners and which might, if disclosed, have reasonably been expected to materially adversely affect the decision of a person considering whether or not to enter into the Transaction Documents;
- (xxi) **Environmental laws:**
  - (A) The Charterers are in compliance with paragraph (h) of Clause 49 (*Charterers’ undertakings*) and (to the best of its knowledge and belief) no circumstances have occurred which would prevent such compliance in a manner or to an extent which has or is reasonably likely to have a Material Adverse Effect. No Environmental Claim has been commenced or (to the best of the Charterers’ knowledge and belief) is threatened against the Charterers where that claim has or is reasonably likely, if determined against the Charterers, to have a Material Adverse Effect;
- (xxii) **Taxation**
  - (A) No Obligor is materially overdue in the filing of any Tax returns and no Obligor overdue in the payment of any amount in respect of Tax of US Dollars One Million (US\$1,000,000) (or its equivalent in any other currency) or more, save in the case of Taxes which are being contested in good faith.
  - (B) As far as the Charterers are aware, each of the Obligors is resident for Tax purposes only in the jurisdiction of its incorporation;
- (xxiii) **No Restricted Party:** no Obligor is a Restricted Party nor has any Obligor or any of their respective directors, officers or employees or any person acting on their behalf received notice or are aware of any claim, action, suit, proceeding or investigation against any of them with respect to Sanctions by a Sanctions Authority;
- (xxiv) **No Material Adverse Effect:** no event or circumstance has occurred which has a Material Adverse Effect;

- (xxv) **Building Contract:** no party is in a material default under the Building Contract; and
- (xxvi) **Status of Project Documents:** the copies of the Project Documents delivered to the Owners are true and complete copies. The Project Documents constitute legal, valid, binding and enforceable obligations of the parties to them in accordance with their respective terms. No amendments or additions to the Project Documents have been agreed nor has any party to any Project Document waived any of its respective rights under that Project Document (except as those notified to the Owners in writing and, if consent of the Owners are required pursuant to this Charter, as consented to by the Owners).
- (b) The representation and warranties of the Charterers in this Clause 48 are subject to: (i)
- the principle that equitable remedies are remedies which may be granted or refused at the discretion of the court;
- (ii) the limitation of enforcement by laws relating to bankruptcy, insolvency, liquidation, reorganisation, court schemes, moratoria, administration and other laws generally affecting or limiting the rights of creditors;
- (iii) the time barring of claims under any applicable limitation acts;
- (iv) the possibility that a court may strike out provisions for a contract as being invalid for reasons of oppression, undue influence or similar; and
- (v) any other reservations or qualifications of law expressed in any legal opinions obtained by the Owners in connection with the Transaction Documents.

#### 49. Charterers' undertakings

The undertaking and covenants in this Clause 49 remain in force for the duration of the Agreement Term.

- (a) **Financial statements:** the Charterers shall and shall procure Charter Guarantor 1 each supply to the Owners as soon as the same become available, but in any event within:
- (i) one hundred and eighty (180) days after the end of each of its financial years, its audited consolidated financial statements for that financial year; and
- (ii) sixty (60) days after the end of each of each half-year, the unaudited consolidated financial statements for that period;
- (b) **Requirements as to financial statements:** each set of financial statements delivered to the Owners under paragraph (a) of Clause 49 above in relation to the Charterers and Charter Guarantor 1 (each a "Notifying Party") shall be:
- (i) certified by an authorised signatory of the relevant Notifying Party as fairly representing its financial condition as at the date as at which those financial statements were drawn up; and
- (ii) prepared in accordance with GAAP.

- (c) **Information:** the Charterers shall supply to the Owners:
- (i) promptly upon becoming aware of them, details of any material litigation, arbitration or administrative proceedings which are current, threatened or pending against the Charterers or the Charter Guarantors, and which, if adversely determined, are reasonably likely to have a Material Adverse Effect; and
  - (ii) promptly, such further information regarding the financial condition, business and operations of the Charterers and the Charter Guarantors as the Owners may reasonably request.
- (d) **Maintenance of legal validity:** the Charterers shall comply with the terms of and do all that is necessary to maintain in full force and effect all Necessary Authorisations required in or by the laws and regulations of its jurisdiction of formation or incorporation and all other applicable jurisdictions, to enable it lawfully to enter into and perform its obligations under the Transaction Documents and to ensure the legality, validity, enforceability or admissibility in evidence of the Transaction Documents in its jurisdiction of incorporation or formation and all other applicable jurisdictions.
- (e) **Notification of Potential Termination Event:** the Charterers shall promptly, upon becoming aware of the same, inform the Owners in writing of the occurrence of any Termination Event or Potential Termination Event (and the steps, if any, being taken to remedy this) and, upon receipt of a written request to that effect from the Owners, confirm to the Owners that, save as previously notified to the Owners or as notified in such confirmation, no Termination Event or Potential Termination Event is continuing or if a Termination Event or Potential Termination Event is continuing specifying the steps, if any, being taken to remedy it.
- (f) **Claims pari passu:** the Charterers shall ensure that at all times the claims of the Owners against it under the Transaction Documents rank at least *pari passu* with the claims of all its other unsecured and subordinated creditors save those whose claims are preferred by any bankruptcy, insolvency, liquidation, winding-up or other similar laws of general application.
- (g) **Necessary Authorisations:** without prejudice to any specific provision of the Transaction Documents relating to a Necessary Authorisation, the Charterers shall (i) obtain, comply with and do all that is necessary to maintain in full force and effect all Necessary Authorisations if a failure to do the same may cause a Material Adverse Effect; and (ii) promptly upon request, supply certified copies to the Owners of all Necessary Authorisations.
- (h) **Compliance with applicable laws:** the Charterers shall comply with all applicable laws, including Environmental Laws, to which it may be subject (except as regards Restricted Parties to which paragraph (i) below applies, and anti-corruption and anti-bribery laws to which paragraph (j) below applies) if a failure to do the same may have a Material Adverse Effect.
- (i) **No dealings with Restricted Parties:** the Charterers shall not, and shall not permit or authorise any other person to, directly or indirectly, utilise or employ the Vessel or to use, lend, make payments of, contribute or otherwise make available, all or any

part of the proceeds of any transaction(s) contemplated by the Transaction Documents to fund any trade, business or other activities:

- (i) involving or for the benefit of any Restricted Party; and
  - (ii) in any other manner that would reasonably be expected to result in any Obligor or the Owners or any Finance Party (if applicable) being in breach of any Sanctions or become a Restricted Party.
- (j) **Anti-corruption and anti-bribery laws:** the Charterers shall conduct its business in compliance with applicable anti-corruption and anti-bribery laws.
- (k) **Environmental compliance:** the Charterers shall:
- (i) comply with any Environmental Law;
  - (ii) obtain, maintain and ensure compliance with all requisite Environmental Approvals; and
  - (iii) implement procedures to monitor compliance with and to prevent liability under any Environmental Law, where failure to do so has or is reasonably likely to have a Material Adverse Effect.
- (l) **Environmental Claims:** the Charterers shall, promptly upon becoming aware of the same, inform the Owners in writing of:
- (i) any Environmental Claim against the Charterers which is current or pending; and
  - (ii) any facts or circumstances which are reasonably likely to result in any Environmental Claim being commenced or threatened against the Charterers,
- where the claim, if determined against the Charterers, has or is reasonably likely to have a Material Adverse Effect.
- (m) **Taxation**
- (i) The Charterers shall pay and discharge any Tax imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:
    - (A) such payment is being contested in good faith;
    - (B) adequate reserves are being maintained for such Tax and the costs required to contest them have been disclosed in its latest financial statements; and
    - (C) such payment can be lawfully withheld and failure to pay such Tax does not have or is not reasonably likely to have a Material Adverse Effect.
  - (ii) No Obligor may change its residence for Tax purposes.



- (n) **Further assurance:** the Charterers shall, at their own expense, promptly take all such action as the Owners may reasonably require for the purpose of perfecting or protecting any of the Owners' rights with respect to the security created or evidenced (or intended to be created or evidenced) by the Security Documents.
- (o) **Other information:** the Charterers will promptly supply to the Owners such financial information and explanations as the Owners may from time to time reasonably require in connection with the Charterers.
- (p) **Inspection of records:** the Charterers will permit the inspection of their financial records and accounts relating to the Transaction Documents on reasonable notice from time to time during business hours by the Owners or its nominee.
- (q) **Merger and demerger:** the Charterers shall not enter into any amalgamation, merger, demerger or corporate restructuring without the prior written consent of the Owners (such consent not to be unreasonably withheld or delayed).
- (r) **Financial indebtedness:**
  - (i) The Charterers may from time to time make or grant loans and to make payment of principal and to pay interests on such loans to the Shareholder, and the Shareholder may from time to time make or grant loans to the Charterers, in each case pursuant to the terms and conditions of the Intra- group Loan Agreement, provided that:
    - (A) no Termination Event is in existence or will occur from the making of such loan;
    - (B) the indebtedness obligations owed or to be owed under the Intra- group Loan Agreement shall, pursuant to separate undertaking(s) or deed(s) (in such form and content acceptable to the Owners (acting reasonably)) between the Charterers, the Shareholder and Owners, rank behind and be fully subordinated to any obligations under the Transaction Documents and any of the Charterers' or the Shareholder's rights and claims under such loans are assigned to the Owners.
  - (ii) Except as provided in Clause 49(r)(i), the Charterers shall not, without the prior written consent of the Owners:
    - (A) incur any loans, guarantees or any other form of Financial Indebtedness (except where such loans, guarantees or any other form of Financial Indebtedness is subordinated to the Debt pursuant to separate undertaking(s) or deed(s) in such form and content acceptable to the Owners (acting reasonably)) nor incur any obligations as lessee under leases; or
    - (B) make any loans or advances to, or investments in, any person who is not within the Charter Group (including, without limitation, any officer, director, stockholder, employee or customer of the Charterer),

provided that on and at any time after the occurrence of an Termination Event which is continuing:

- (C) the Charterers shall not, without the prior consent of the Owners, make any payment of principal or interest to any of its creditors in respect of any loans or loan capital or other form of Financial Indebtedness made available to it by them including, but without limitation to, any Financial Indebtedness incurred under sub- paragraph (A) above; and
- (D) notwithstanding sub-paragraph (B) above, the Charterers shall not, without the prior consent of the Owners, make any loans or advances to, or any investments in, any person.
- (iii) The Charterers shall procure that Charter Guarantor 1 shall not, without the prior written consent of the Owners, incur total borrowings in an amount greater than 75% of its total assets if the average time-charter period procured by the Guarantor for all vessels of the Charter Group is less than 2.5 years.
- (s) **Transfer of assets:** the Charterers shall not, sell or transfer any of its material assets other than:
  - (i) on arm's length terms to third parties where the net proceeds of sale are used as a prepayment hereunder; or
  - (ii) on arm's length terms to its Affiliates, which are and remain members of the Charter Group.
- (t) **Change of business:** the Charterers shall not, without the prior written consent of the Owners, make any substantial change to the general nature of their shipping business from that carried on at the date of this Charter.
- (u) **"Know your customer" checks:** if:
  - (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the date of this Charter;
  - (ii) any change in the status of the Charterers and/or the Charter Guarantors after the date of this Charter; or
  - (iii) (iii) a proposed assignment or transfer by Owners of any of its rights and obligations under this Charter,obliges the Owners to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Charterers shall promptly upon the request of the Owners supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Owners in order for the Owners to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Transaction Documents.
- (v) **Management of the Vessel:** the Charterers shall ensure that:

- (i) the Vessel is at all times technically managed by an Approved Manager and commercially managed by the Charterers;
  - (ii) unless (A) the Charterers have promptly informed the Owners in writing of any proposed change of an Approved Manager, and (B) the Owners have granted its prior written consent (which shall not be unreasonably withheld or delayed) to such proposed change, the Approved Manager shall not be changed to another entity; and
  - (iii) the Approved Managers will provide a written confirmation confirming that, among other things, following the occurrence of Termination Event which is continuing, all claims of the Approved Managers against the Charterers shall be subordinated to the claims of the Owners or the Finance Parties (if applicable) under the Transaction Documents.
- (w) **Classification:** the Charterers shall ensure that the Vessel maintains the highest classification required for the purpose of the relevant trade of the Vessel which shall be with the Vessel's Classification Society, in each case, free from any material overdue recommendations and adverse notations affecting that the Vessel's class.
- (x) **Certificate of financial responsibility:** the Charterers shall, if required, obtain and maintain a certificate of financial responsibility in relation to the Vessel which is to call at the United States of America.
- (y) **Registration:** the Charterers shall not change or permit a change to the flag of the Vessel during the duration of this Charter other than to a Pre-Approved Flag, such approval not to be unreasonably withheld or delayed. Any change to the flag of the Vessel shall be at the cost of the Charterers (which shall include any costs of the Finance Parties (if applicable)).
- (z) **ISM, ISPS and Maritime Labour Convention Compliance:** the Charterers shall ensure that each ISM Company and ISPS Company complies in all material respects with the ISM Code and the ISPS Code, respectively, or any replacements thereof and in particular (without prejudice to the generality of the foregoing) shall ensure that such company holds (i) a valid and current Document of Compliance issued pursuant to the ISM Code, (ii) a valid and current SMC issued in respect of the Vessel pursuant to the ISM Code, and (iii) an ISSC in respect of the Vessel, and the Charterers shall promptly, upon request, supply the Owners with copies of the same. The Charterers shall at all time comply with the Maritime Labour Convention.
- (aa) **Chartering-in:** the Charterers shall not, during the duration of this Charter, without the prior written consent of the Owners, take any vessel on charter or other contract of employment (or agree to do so).
- (bb) **Change of control:** the Charterers shall ensure that, without the prior written consent of the Owners:
- (i) during the duration of the Charter Period, no Change of Control shall occur under paragraph (a) of the definition of "Change of Control" in this Charter; and
  - (ii) from the beginning of the Charter Period until such time (the "**Relevant Time**") after the fifth anniversary when it is shown to the satisfaction of the

Owners that the Ratio (as defined in Clause 49(ee)) is higher than the required VTL Ratio, no Change of Control shall occur under paragraph (b) of the definition of “Change of Control” in this Charter.

Commencing from the Relevant Time:

- (A) the restriction under paragraph (b) of the definition of “Change of Control” shall not apply; and
- (B) notwithstanding Clause 49(r)(iii), the Charterers shall procure that Charter Guarantor 1 shall not, without the prior written consent of the Owners, incur total borrowings in an amount greater than 75% of its total assets at all time (whether or not the average time-charter period procured by the Guarantor for all vessels of the Charter Group is less than 2.5 years).

(cc) **Inspection of Vessel and inspection reports:** in the absence of a Termination Event, subject to there being no undue interference with the operation of the Vessel:

- (i) the Owners may at the Charterers’ cost arrange for persons appointed by the Owners to board the Vessel once in each calendar year during the Charter Period to inspect the Vessel’s state and condition, and the Charterers will provide commercially reasonable assistance to facilitate such inspection; and
- (ii) the Charterers shall, within five (5) Business Days’ of the Owners’ written demand, reimburse the Owners for all costs, fees and expenses reasonably incurred by the Owners in connection with the Owners’ procuring or arranging the procurement of the relevant inspection report as to the condition of the Vessel,

provided always however that if a Termination Event has occurred and is continuing, the Owners may at any time and at the Charterers’ cost conduct such inspection and the Charterers shall be deemed to have granted such permission and shall provide such necessary assistance to the Owners in respect of such inspection.

(dd) **Sub-Charterers:** the Charterers will, where applicable, use best endeavours and forthwith execute and deliver any and all such other agreements, instruments and documents (including any novation agreement) as may be required by law or deemed necessary or desirable by the Owners to ensure that any Sub-Charter which is in effect on the Delivery Date remains in effect, so that all obligations previously owed by the relevant Sub-Charterers to the Charterers under such Sub-Charter shall continue to be owed to the Charterers throughout the Agreement Term.

(ee) **Valuation of Market Value**

- (i) The Charterers shall procure valuation of the Market Value of the Vessel to be made (and procure the delivery to the Owners of the Valuation Reports issued by the Approved Brokers): (i) once every twelve (12) months during the Charter Period (each such Valuation Report to be at the Charterers’ cost); and (ii) at such other times as the Owners may require in their absolute discretion (each such additional Valuation Reports to be at Owners’ cost unless a Termination Event has occurred and is continuing following which such additional Valuation Reports shall be at the cost of the Charterers).

- (ii) The valuation shall be conducted at such time as the Owners may notify the Charterers. The valuation shall determine the Market Value of the Vessel of that year. The Valuation Report shall be delivered to the Owners within one month in which the valuation was conducted.
- (iii) The Market Value of the Vessel shall be the arithmetic average of desk-top valuations obtained from three (3) Approved Brokers with two selected by the Charterers and the other selected by the Owners which shall be Vessels Value and the expenses of such appointments shall be borne by the Charterers). Each such valuation shall take into account the benefit of this Charter and any Sub-Charter (dated no earlier than thirty (30) days from the relevant date) on the basis of a willing buyer and a willing seller at arm's length.
- (iv) If valuation is obtained in accordance with this Clause and the ratio (the "**Ratio**") of:
  - (A) the Market Value
  - to
  - (B) the Cost Balance less the deposits received by the Owners (including the Deposit (defined below))is equal to or less than one hundred and ten per cent (110%) (the "**Required VTL Ratio**"), the Charterers shall, within twenty (20) days of the issuance of the Valuation Reports (or, if the two (2) Valuation Reports are not issued on the same day, the date of the later Valuation Report), pay a deposit to the Owners (the "**Deposit**", which expression shall include any additional payment of deposit from time to time pursuant to this Clause 49(ee)) or (subject to the internal approval and consent of the Owners on the relevant asset class and nature of the proposed additional security) provide such approved additional security which, in the opinion of the Owners, has a net realisable value in an amount equal to the shortfall as may be necessary to ensure that the Ratio does not exceed the Required VTL Ratio.
- (v) Without prejudice to any other rights or remedies of the Owners hereunder, the Owners shall have the right to apply the Deposit or parts thereof upon the occurrence of a Termination Event towards payment of any sums due and payable by the Charterers under the Transaction Documents including but not limited to any Termination Sum. In circumstances where the Owners has waived its right to terminate this Charter and this Charter is continuing, the Charterers shall within ten (10) days, deposit with the Owners such additional amounts as may be required to make up the Deposit (where all or part of the Deposit was used towards payment of any sums due and payable by the Charterers under the Transaction Documents).
- (vi) The Deposit shall be retained by the Owners free of any interest to the Charterers as security deposit to secure the due observance and performance by the Charterers of its obligations and undertakings herein contained and shall be released or partially released to the Charterers only pursuant to this Clause 49(ee)(vi).

- (vii) If the Ratio determined at any subsequent annual valuation under this Clause 49(ee) is above the Required VTL Ratio, the Owners shall within twenty (20) Banking Days from the written demand of the Charterers, refund all or part of the Deposit to the Charterers PROVIDED ALWAYS THAT the Required VTL Ratio is complied with after such refund. If any part of the Deposit is not refunded to the Charterers pursuant to the preceding provision, any remaining balance of the Deposit held by the Owners shall be refunded to the Charterers within twenty (20) Banking Days after the expiration or termination of the Charter Period PROVIDED THAT no Termination Event has occurred and is continuing.
- (ff) **Sub-Charter:** the Charterers shall procure that, without the prior written consent of the Owners, there shall be no termination of, alteration to or waiver of any material term of, any Sub-Charter.
- (gg) **Transactions with Affiliates:** the Charterers shall procure that all transactions conducted or to be conducted between them and any of the Obligor's Affiliates will be on an arm's length commercial basis.
- (hh) **Notification:** the Charterers shall notify the Owners promptly after they become aware of the expiry or early termination of any Sub-Charter.
- (ii) **No Security Interest** The Charterers will not create or permit to subsist any Security Interest or any other third party rights over any of their present and future rights and interest in or towards the Vessel, except for any:
  - (i) Permitted Security Interest; or
  - (ii) Security Interest created (A) in favour of the Owners or the Finance Parties, (B) otherwise with the prior written consent of the Owners (such consent not to be unreasonably withheld or delayed), or (C) as otherwise permitted under the Transaction Documents.
- (jj) Project Documents
  - (i) The Charterers shall:
    - (A) without affecting its obligations under the applicable provisions of the Transaction Documents, perform and observe its obligations under the Project Documents and use its best endeavours to procure that each of the other parties to the Project Documents performs and observes its obligations under them; and
    - (B) obtain and maintain in force, and promptly furnish certified copies to the Owners of, all licences, authorisations, approvals and consents, and do all other acts and things, which may from time to time be necessary or desirable for the continued due performance of its obligations under the Transaction Documents and the Project Documents or which may be required for the validity, enforceability or admissibility in evidence of the Transaction Documents and the Project Documents;
  - (ii) The Charterers shall not, without the prior written consent of the Owners:

- (A) except as contemplated by this Charter, sell or agree to sell the Vessel (including a sale of the Vessel during her construction by way of an assignment, novation or other transfer of the Building Contract) or convey, assign, transfer, sell or otherwise dispose of or deal with any of its other real or personal property, assets or rights, whether present or future, in connection with the Vessel; or
- (B) waive or fail to enforce any provision of, or agree to any amendment or supplement to, the Building Contract, save to the extent expressly permitted by the terms of any Transaction Document.

## 50. Earnings Account

In addition to Clause 49 (*Charterers' undertakings*), the Charterers hereby undertake to the Owners that, throughout the Agreement Term, they will deposit all of the Earnings received by the Charterers into the Earnings Account, free and clear of any costs, fees, expenses, disbursements, withholdings or deductions..

## 51. Termination Events

- (a) Each of the following events shall constitute a Termination Event:
  - (i) ***Failure to pay any Obligor:*** any Obligor fails to pay any amount due from it under any Transaction Document to which they are parties at the time, in the currency and otherwise in the manner specified therein provided that, if an Obligor can demonstrate to the reasonable satisfaction of the Owners that all necessary instructions were given to effect such payment and the non-receipt thereof is attributable solely to an administrative or technical error or an error in the banking system or a Disruption Event, then such payment shall instead be deemed to be due, solely for the purposes of this paragraph, within five (5) Business Days of the date on which it actually fell due under this Charter (if a payment of Hire) and three (3) Business Days (if a sum payable on demand); or
  - (ii) ***Misrepresentation:*** any representation or statement made by any Obligor in any Transaction Document to which it is a party or in any notice or other document, certificate or statement delivered by it pursuant thereto or in connection therewith is or proves to have been incorrect or misleading in any material respect, where the circumstances causing the same give rise to a Material Adverse Effect; or
  - (iii) ***Specific covenants:*** any Obligor fails duly to perform or comply with any of the obligations expressed to be assumed by or procured by them under paragraphs 49(bb), (ee) and (gg) of Clause 49 (*Charterers' undertakings*); or
  - (iv) ***Other obligations:*** any of the Obligors fails duly to perform or comply with any of the obligations expressed to be assumed by them in any Transaction Document (other than those referred to in paragraph (iii)) and such failure (if capable of remedy) is not remedied within fourteen (14) Business Days after the earlier of (A) the Owners having given notice thereof to the relevant Obligor and (B) the Obligor becoming aware of such failure to perform or comply; or

- (v) **Cross Default:** any Financial Indebtedness of any Obligor is not paid when due (or within any applicable grace period) and payable prior to its specified maturity where the aggregate of all such unpaid or accelerated indebtedness of such Obligor is equal to or greater than US Dollars Eight Million (US\$8,000,000) or its equivalent in any other currency or currencies; or
- (vi) **Insolvency and rescheduling:** any of the Obligors is unable to pay their debts as they fall due, commences negotiations with any one or more of their creditors with a view to the general readjustment or rescheduling of their indebtedness or makes a general assignment for the benefit of their creditors or a composition with their creditors; or
- (vii) **Winding-up:** any of the Obligors files for initiation of formal restructuring proceedings, is wound up or declared bankrupt or takes any corporate action or other steps are taken or legal proceedings are started for their winding-up, dissolution, administration or re-organisation or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of them or of any or all of their revenues or assets or any moratorium is declared or sought in respect of any of their indebtedness; or
- (viii) **Execution or distress**
  - (A) any Obligor fails to comply with or pays any sum due from them (within thirty (30) days of such amount falling due) under any final judgment or any final order made or given by any court or other official body of a competent jurisdiction in an aggregate in respect of the Obligor equal to or greater than US Dollars Eight Million (US\$8,000,000) or its equivalent in any other currency, being a judgment or order against which there is no right of appeal or if a right of appeal exists, where the time limit for making such appeal has expired; or
  - (B) any execution or distress is levied against, or an encumbrancer takes possession of, the whole or any part of, the property, undertaking or assets of any Obligor in an aggregate amount equal to or greater than US Dollars Five Million (US\$5,000,000) or its equivalent in any other currency or currencies, other than any execution or distress which is being contested in good faith and which is either discharged within thirty (30) days or in respect of which adequate security has been provided within thirty (30) days to the relevant court or other authority to enable the relevant execution or distress to be lifted or released; or
- (ix) **Similar event:** any event occurs which, under the laws of any jurisdiction, has a similar or analogous effect to any of those events mentioned in paragraphs (vi), (vii) or (viii) above; or
- (x) **Repudiation:** any of the Obligors repudiates any Transaction Document to which it is a party or do or cause to be done any act or thing evidencing an intention to repudiate any such Transaction Document; or



- (xi) **Validity and admissibility:** at any time any act, condition or thing required to be done, fulfilled or performed in order:
- (A) to enable any of the Obligors lawfully to enter into, exercise their rights under and perform the material obligations expressed to be assumed by them in the Transaction Documents;
  - (B) to ensure that the material obligations expressed to be assumed by any of the Obligors in the Transaction Documents are legal, valid and binding; or
  - (C) to make the Transaction Documents admissible in evidence in any applicable jurisdiction,
- is not done, fulfilled or performed within thirty (30) days after notification from the Owners to the relevant Obligor requiring the same to be done, fulfilled or performed; or
- (xii) **Illegality:** at any time:
- (A) it is or becomes unlawful for any of the Obligors to perform or comply with any or all of their obligations under the Transaction Documents to which they are parties;
  - (B) any of the obligations of any of the Obligors under the Transaction Documents to which they are parties are not or cease to be legal, valid and binding; or
  - (C) any Security Interest created or purported to be created by the Security Documents ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to such Security Document (other than the Owners) to be ineffective,
- and, in each case, such illegality is not remedied or mitigated to the satisfaction of the Owners within thirty (30) days after it has given notice thereof to the Charterers; or
- (xiii) **Material adverse change:** at any time there shall occur any event or change which has a Material Adverse Effect in respect of any of the Obligors and such event or change, if capable of remedy, is not so remedied within thirty (30) days of the delivery of a notice confirming such event or change by the Owners to the Charterers; or
- (xiv) **Conditions precedent:** if any of the conditions set out in Clause 37 (*Conditions precedent*) is not satisfied by the relevant time or such other time period specified by the Owners in their discretion; or
- (xv) **Revocation or modification of consents etc.:** if any Necessary Authorisation which is now or which at any time during the Agreement Term becomes necessary to enable an Obligor to comply with any of its obligations in or pursuant to any of the Transaction Documents or the Project Documents is revoked, withdrawn or withheld, or modified in a manner which the Owners reasonably consider is, or may be, prejudicial to the interests of Owners in a

material manner, or if such Necessary Authorisation ceases to remain in full force and effect; or

- (xvi) **Cessation of business:** any of the Obligors ceases, or threatens to cease, to carry on all or a substantial part of its business; or
- (xvii) **Curtailement of business:** if the business of any of the Obligors is wholly or materially curtailed by any intervention by or under authority of any government, or if all or a substantial part of the undertaking, property or assets of the Obligor is seized, nationalised, expropriated or compulsorily acquired by or under authority of any government or any of the Obligors disposes or threatens to dispose of a substantial part of their business or assets; or
- (xviii) **Environmental matters**
  - (A) any Environmental Claim is pending or made against any Obligor or in connection with the Vessel, where such Environmental Claim has a Material Adverse Effect; or
  - (B) any actual Environmental Incident occurs in connection with the Vessel, where such Environmental Incident has a Material Adverse Effect; or
- (xix) **Loss of property:** all or a substantial part of the business or assets of any of the Obligors is destroyed, abandoned, seized, appropriated or forfeited for any reason, and such occurrence in the reasonable opinion of the Owners has a Material Adverse Effect; or
- (xx) **Sanctions:** any Obligor or any of their directors, officers or employees becomes a Restricted Party; or
- (xxi) **Arrest:** the Vessel is arrested or seized for any reason whatsoever (other than caused solely and directly by any action or omission from the Owners) unless the Vessel is released and returned to the possession of the Charterers within twenty one (21) days of such arrest or seizure; or
- (xxii) **Building Contract:** Any of the following events or circumstances occur in respect of the Building Contract:
  - (A) the Building Contract is cancelled, terminated, rescinded for whatsoever reasons; or
  - (B) the Building Contract is varied, amended, supplemented and/or restated in any material aspects without the prior written consent of the Owners; or
  - (C) it becoming impossible or unlawful for any party to the Building Contract to fulfil any of its obligations under, or to exercise any rights vested in it, by that document; or

- (D) the Building Contract is breached in any material respect by any party or for any reason becoming invalid or unenforceable or otherwise ceasing to be in full force and effect; or
  - (E) any party repudiating or threatening to repudiate the Building Contract; or
- (xxiii) **Delivery:** the Vessel has not for any reason been delivered to, and accepted by, the Charterers under the Building Contract, and subsequently delivered by the Charterers to the Owners under the MOA on or before the Cancellation Date;
- (xxiv) **Termination of Sub-Charter:** a Sub-Charter is terminated, repudiated or cancelled:
- (A) by the Sub-Charterers due to a breach by the Charterers unless (1) such breach does not materially affect the ability of the Charterers to perform its obligations under this Charter, and (2) the Charterers enter into a replacement Sub-Charter (on terms reasonably acceptable to the Owners) with a Sub-Charterer (reasonably acceptable to the Owners) within sixty (60) days of such termination, repudiation or cancellation; or
  - (B) for any reason other than a breach by the Charterers unless the Charterers enter into a replacement Sub-Charter (on terms reasonably acceptable to the Owners) with a Sub-Charterers (reasonably acceptable to the Owners) within one hundred and eighty (180) days of such termination, repudiation or cancellation;
- (b) The Owners and the Charterers agree that it is a fundamental term and condition of this Charter that no Termination Event shall occur during the Agreement Term. Without prejudice to the forgoing, a Termination Event which is continuing shall constitute an agreed terminating event, the occurrence of which will entitle the Owners to exercise all or any of the remedies set out below in this Clause 51.
- (c) At any time after a Termination Event shall have occurred and be continuing following the lapse of any applicable grace period, the Owners may at their option:
- (i) by delivering to the Charterers a Termination Notice, terminate this Charter with immediate effect or on the date specified in such Termination Notice and withdraw the Vessel from the service of the Charterers without noting any protest and without interference by any court or any other formality whatsoever, whereupon the Vessel shall no longer be in the possession of the Charterers with the consent of the Owners, and the Charterers shall redeliver the Vessel to the Owners in accordance with Clauses 43 (*Redelivery*) and 44 (*Redelivery conditions*);
  - (ii) apply any amount then standing to the credit to the Earnings Account against any Unpaid Sum or such other amounts which the Charterers or other Obligors may owe under the Transaction Documents; and/or
  - (iii) (iii) (without prejudice to sub-paragraph (ii) above) enforce any Security Interest created pursuant to the relevant Transaction Documents.

- (d) On the Termination Payment Date in respect of any termination of the chartering of the Vessel under this Charter in accordance with paragraph (c) above, the Charterers shall pay to the Owners an amount equal to the Early Termination Amount.
- (e) Following any termination to which this Clause 51 applies, all sums payable in accordance with paragraph (d) above shall be paid to such account or accounts as the Owners may direct and shall be applied in the Owners' sole discretion (including but not limited to towards settlement of the Early Termination Amount, or part thereof).
- (f) If the chartering of the Vessel or, as the case may be, the obligation of the Owners to deliver and charter the Vessel to the Charterers is terminated in accordance with the terms of this Charter, the obligation of the Charterers to pay Hire, if not yet paid, shall cease once the Charterers have made the payment pursuant to paragraph (d) above to the satisfaction of the Owners, whereupon the Owners shall arrange for title of the Vessel to be transferred to the Charterers in accordance with paragraphs (c) to (f) of Clause 55 (*Purchase Option and transfer of title*) save that no further payment of the Purchase Option Price referred to under paragraph (c) of Clause 55 (*Purchase Option and transfer of title*) would be required from the Charterers.
- (g) Without prejudice to the forgoing or to any other rights of the Owners under this Charter, at any time after a Termination Notice is served under paragraph (c) above, the Owners may, acting in their sole discretion:
  - (i) without prejudice to the Charterers' obligations under Clause 44 (*Redelivery conditions*), retake possession of the Vessel and, the Charterers agree that the Owners, for such purpose, may put into force and exercise all their rights and entitlements at law and may enter upon any premises belonging to or in the occupation or under the control of the Charterers where the Vessel may be located as well as giving instructions to the Charterers' servants or agents for this purpose; and/or
  - (ii) change or replace the Approved Manager.
- (h) Save as otherwise expressly provided in this Charter, the Charterers shall not have the right to terminate this Charter at any time prior to the expiration of the Agreement Term. The rights conferred upon the Owners by the provisions of this Clause 51 are cumulative and in addition to any rights which they may otherwise have in law or in equity or by virtue of the provisions of this Charter.
- (i) It is hereby agreed between the Owners and the Charterers that the Charterers are entitled to cease paying the Hire for such period as the Vessel is under arrest, detention, seizure or confiscation as a direct result of the Owners' default, act, omission or misconduct (excluding any arrest, detention, seizure and confiscation being litigation or proceeding or claim which is frivolous, vexatious or an abuse of the process of the court which the Owners has a good defence and is being contested by the Owners in good faith and by appropriate proceedings) provided there is no contributory negligence from or default by the Charterers in respect thereof.
- (j) Liquidated damages received under the Building Contract
  - (i) In the circumstances that the Charterers have not exercised any of the purchase options on or before the last day of the Charter Period under

Clause 55(a) of this Charter (*Purchase Option and transfer of title*) and the Vessel is redelivered to the Owners for whatever reasons, the Charterers shall return the relevant percentage set out in the following table of any liquidated damages they received under the Building Contract in connection with any physical defects or deficiencies of the Vessel to the Owners:

In case the Vessel is redelivered to the Owners before the expiry of the nth anniversary (year(s)) of the Charter Period	Percentage
1	75.0%
2	70.8%
3	66.7%
4	62.5%
5	58.3%
6	54.2%
7	50.0%
8	45.8%
9	41.7%
10	37.5%

52. **Sub-chartering and assignment**

- (a) The Charterers shall not without the prior written consent of the Owners (which may be given subject to conditions):
  - (i) let the Vessel on demise charter for any period;
  - (ii) de-activate or lay up the Vessel; or
  - (iii) assign their rights under this Charter.
- (b) The Charterers acknowledge that the Owners' consent to any sub-bareboat chartering may be subject (amongst other things) to the Owners being satisfied as to the intended flag during such sub-bareboat chartering.
- (c) Without prejudice to anything contained in this Clause 52, the Charterers shall only enter into any Sub-Charter or vessel pooling or sharing arrangements for the Vessel which is for a purpose for which the Vessel is suited and with a Sub-Charterers or a charterer under the pooling or sharing arrangement which is not a Restricted Party and in each case, the Charterers shall, in relation to any Sub-Charter or vessel pooling or sharing arrangements, assign to the Owners all their Earnings arising out of and in connection with such Sub-Charter or vessel pooling or sharing arrangements and all their rights and interest in such Sub-Charter or vessel pooling or sharing arrangements as the Owners may require and the Charterers shall serve a notice on any Sub-Charterers or such other person as the Owners may require and shall obtain a written acknowledgement of such assignment from such Sub-Charterers or that other person in such form as is required by the Owners or any Finance Party (as the case may be).
- (d) The Charterers may request for a Sub-Charter Quiet Enjoyment Letter to be issued to the Sub-Charterers provided that the conditions set out in Clause 46(b)(ii) are satisfied.

53. **Name of Vessel**

Provided that the prior written consent has been given by the Owners:

- (a) the name of the Vessel may be chosen by the Charterers; and
- (b) the Vessel may be painted in the colours, display the funnel insignia and fly the house flag as required by the Charterers.

54. **Charter Period**

The Charter period under this Charter shall be one hundred and twenty (120) months commencing from the Delivery Date, unless otherwise extended or terminated pursuant to Clauses 41(k) (*Hire*), 51 (*Termination Events*), 56 (*Sale of the Vessel by the Owners*) and 57 (*Total Loss*).

55. **Purchase Option and transfer of title**

- (a) Subject to no Termination Events or Total Loss under Clause 57 (*Total loss*), the Charterers may, on each Hire Payment Date falling twenty-four (24) months after the Delivery Date, by at least sixty (60) calendar days prior written notice to the Owners, declare to the Owners their exercise of the option to purchase the Vessel or to cause their nominee to purchase the Vessel on a Hire Payment Date by payment of the corresponding amount equal to the Purchase Option Price. To avoid any confusion, the Charter Period will end immediately upon the Purchase Option Price having been paid.
- (b) If the Charterers have not exercised their rights under paragraph (a), the Charterers may, by at least two (2) months' prior written notice to the Owners, declare to the Owners their exercise of the option to purchase the Vessel or to cause their nominee to purchase the Vessel at the end of the Charter Period by payment of the amount of USDollars Seventy Eight Million Seven Hundred and Fifty Thousand (US\$78,750,000).
- (c) In exchange for the full payment of the Purchase Option Price (in the case of a purchase under paragraph (a) above) or the sum stated in paragraph (b) above (in the case of a purchase under paragraph (b) above) and all sums due and payable to the Owners under the Transaction Documents and subject to compliance with the other conditions set out in this Clause, the Owners shall:
  - (i) transfer title to and ownership of the Vessel to the Charterers (or their nominee) by delivering to the Charterers (in each case at the Charterers' costs):
    - (A) a duly executed and notarised, legalised and/or apostilled (as applicable) bill of sale; and
    - (B) the Title Transfer PDA; and
  - (ii) Procure the deletion of any mortgage or prior Security Interest in relation to the Vessel at the Charterers' cost and provide a certificate of ownership and encumbrances evidencing that the Vessel is free from any registered mortgages/encumbrances,

provided always that prior to such transfer or deletion (as the case may be), the Owners shall have received the letter of indemnity as referred to in paragraph (f) below from the Charterers, and the Charterers shall have performed all their obligations in connection herewith and with the Vessel, including without limitation the full payment of all Unpaid Sums, taxes, charges, duties, costs and disbursements (including legal fees) in relation to the Vessel.

- (d) The transfer in accordance with paragraph (c) above shall be made in all respects at the Charterers' expense on an "as is, where is" basis and the Owners shall give the Charterers (or their nominee) no representations, warranties, agreements or guarantees whatsoever concerning or in connection with the Vessel, the Insurances, the Vessel's condition, state or class or anything related to the Vessel, expressed or implied, statutory or otherwise.
- (e) The Owners shall have no responsibility for the registrability of a bill of sale referred to in paragraph (c) above executed by the Owners, as far as such bill of sale is prescribed in a generally acceptable form.
- (f) The Charterers shall, immediately prior to the receipt of the bill of sale, furnish the Owners with a letter of indemnity (in a form satisfactory to the Owners) whereby the Charterers and the Charter Guarantors shall state that, among other things, the Owners has and will have no interest, concern or connection with the Vessel after the date of such letter and that the Charterers and/or the Charter Guarantors shall indemnify the Owners and keep the Owners indemnified forever against any claims made by any person arising in connection with the Vessel.

#### 56. Sale of Vessel by the Owners

During the Charter Period, the Owners shall not sell the Vessel unless (i) the Vessel is sold to an Affiliate of the Owners, or (ii) such sale is permitted by and made in accordance with Clause 51 (*Termination Events*) or (iii) with the Charterers' prior written consent, provided that, in respect of a sale effected under (i) and (iii), such sale shall not increase the obligations of the Obligor under the Transaction Documents and any documentation required in connection with such sale shall be effected at the cost of the Owners. Notwithstanding the foregoing of this Clause (except for the sale permitted by and made in accordance with Clause 51 (*Termination Events*)), this Charter will continue to exist, valid and effective on the same and identical terms (save for logical and consequential amendments).

#### 57. Total Loss

- (a) If circumstances exist giving rise to a Total Loss, the Charterers shall promptly notify the Owners of the facts of such Total Loss. If the Charterers wish to proceed on the basis of a Total Loss and advise the Owners thereof, the Owners shall agree to the Vessel being treated as a Total Loss for all purposes of this Charter. The Owners shall thereupon abandon the Vessel to the Charterers and/or execute such documents as may be required to enable the Charterers to abandon the Vessel to insurers and claim a Total Loss. Without prejudice to the obligations of the Charterers to pay to the Owners all monies then due or thereafter to become due under this Charter, if the Vessel shall become a Total Loss during the Charter Period, the Charter Period shall end on the Settlement Date.

- (b) If the Vessel becomes a Total Loss during the Charter Period, the Charterers shall, on the Settlement Date, pay to the Owners the amount calculated in accordance with paragraph (c) below.
- (c) On the Settlement Date, the Charterers shall pay to the Owners an amount equal to the Early Termination Amount as at the Termination Payment Date (provided that such amount payable shall be set off against the Total Loss Proceeds if they are already received by the Owners as referred to under paragraph (d) below). The foregoing obligations of the Charterers under this paragraph (c) shall apply regardless of whether or not any moneys are payable under any Insurances in respect of the Vessel, regardless of the amount payable thereunder, regardless of the cause of the Total Loss and regardless of whether or not any of the said compensation shall become payable.
- (d) All Total Loss Proceeds shall be paid to such account or accounts as the Owners may direct and shall be applied towards satisfaction of the Early Termination Amount and any other sums due and payable under the Transaction Documents. To the extent that there is any surplus after such application, such surplus shall be promptly returned to the Charterers.
- (e) The Charterers shall, at the Owners' request, provide satisfactory evidence, in the reasonable opinion of the Owners, as to the date on which the constructive total loss of the Vessel occurred pursuant to the definition of Total Loss.
- (f) The Charterers shall continue to pay the Advance Hire and the Hire on the days and in the amounts required under this Charter notwithstanding that the Vessel shall become a Total Loss **provided always that** no further instalments of Hire shall become due and payable after the Charterers have made the payment required by paragraph (c) above.

#### 58. Fees and expenses

- (a) Subject always to paragraph (b), the Charterers shall bear all costs, fees (including legal fees) and disbursements reasonably incurred by the Owners and the Charterers in connection with:
  - (i) the negotiation, preparation and execution of this Charter and the other Transaction Documents;
  - (ii) the delivery of the Vessel under the Building Contract, the MOA and this Charter;
  - (iii) preparation or procurement of any survey, inspections, tax or insurance advice;
  - (iv) all legal fees and other expenses arising out of or in connection with the exercising of the purchase option by the Charterers pursuant to Clause 55 (*Purchase Option and Title Transfer*) of this Charter; and
  - (v) such other activities relevant to the transactions contemplated herein.



- (b) Notwithstanding anything to the contrary, the Charterers shall not bear any costs, fees (including legal fees) and disbursements incurred by the Owners in connection with:
  - (i) any financing activities undertaken by the Owners, whether or not such financing activities are undertaken for the purposes of entering into this Charter, the MOA or any of the Transaction Documents; and
  - (ii) the incorporation, setting-up or continued operation of any special purpose vehicles or legal entities for the purposes of or in relation to this Charter, the MOA or any of the Transaction Documents.

#### 59. **Stamp duties and taxes**

The Charterers shall pay promptly all documented stamp, documentary or other like duties and taxes to which this Charter, the MOA and the other Transaction Documents may be subject or give rise and shall indemnify the Owners on demand against any and all liabilities with respect to or resulting from any delay on the part of the Charterers to pay such duties or taxes.

#### 60. **Operational notifiable events**

The Owners are to be advised as soon the Charterers are aware of the occurrence of any of the following events:

- (a) when a material condition of class is applied by the Classification Society;
- (b) whenever the Vessel is arrested, confiscated, seized, requisitioned, impounded, forfeited or detained by any government or other competent authorities or any other persons;
- (c) whenever a class or flag authority refuses to issue or withdraw trading certification;
- (d) in the event of a fire requiring the use of fixed fire systems or collision / grounding;
- (e) whenever the Vessel is planned for dry-docking in accordance with Clause 10(g) (Part II) and whether routine or emergency;
- (f) the Vessel is taken under tow;
- (g) any death or serious injury on board; or
- (h) any damage to the Vessel the repair costs of which (whether before or after adjudication) are likely to exceed US Dollars Three Million (US\$3,000,000).

#### 61. **Further indemnities**

- (a) Whether or not any of the transactions contemplated hereby are consummated, the Charterers shall, in addition to the provisions under Clause 17 (*Indemnity*) (Part II) of this Charter, indemnify, protect, defend and hold harmless the Owners and their respective officers, directors and employees (collectively, the “**Indemnitees**”) throughout the Agreement Term from, against and in respect of, any and all liabilities, obligations, losses, damages, penalties, fines, fees, claims, actions, proceedings, judgement, order or other sanction, lien, salvage, general average, suits, costs,

expenses and disbursements, including reasonable legal fees and expenses, of whatsoever kind and nature (collectively, the “**Expenses**”), imposed on, suffered or incurred by or asserted against any Indemnitee, in any way relating to, resulting from or arising out of or in connection with, in each case, directly or indirectly, any one or more of the following:

- (i) this Charter, any of the other Transaction Documents and the Project Documents, and any amendment, supplement or modification thereof or thereto requested by the Charterers;
- (ii) the Vessel or any part thereof, including with respect to:
  - (A) the ownership of, manufacture, design, possession, use or non-use, operation, maintenance, testing, repair, overhaul, condition, alteration, modification, addition, improvement, storage, seaworthiness, replacement, repair of the Vessel or any part (including, in each case, latent or other defects, whether or not discoverable and any claim for patent, trademark, or copyright infringement and all liabilities, obligations, losses, damages and claims in any way relating to or arising out of spillage of cargo or fuel, out of injury to persons, properties or the environment or strict liability in tort);
  - (B) any claim or penalty arising out of violations of applicable law by the Charterers or any Sub-Charterers;
  - (C) death or property damage of shippers or others;
  - (D) any liens in respect of the Vessel or any part thereof; or
  - (E) any registration and/or tonnage fees (whether periodic or not) in respect of the Vessel payable to any registry of ships;
- (iii) any breach of or failure to perform or observe, or any other non-compliance with, any covenant or agreement or other obligation to be performed by the Charterers under any Transaction Document to which it is a party or the falsity of any representation or warranty of the Charterers in any Transaction Document to which it is a party or the occurrence of any Termination Event;
- (iv) in preventing or attempting to prevent the arrest, confiscation, seizure, taking and execution, requisition, impounding, forfeiture or detention of the Vessel, or in securing or attempting to secure the release of the Vessel in connection with the exercise of the rights of a holder of a lien created by the Charterers;
- (v) incurred or suffered by the Owners in:
  - (A) procuring the delivery of the Vessel to the Charterers under Clause 35 (*Delivery*);
  - (B) registering the Vessel at the registry of the Pre-Approved Flag;
  - (C) recovering possession of the Vessel following termination of this Charter under Clause 51 (*Termination Events*);

- (D) arranging for a sale of the Vessel in accordance with Clause 56 (*Sale of Vessel by the Owners*); or
- (E) arranging for a transfer of the title of the Vessel in accordance with paragraphs (c) to (f) of Clause 55 (*Purchase Option and transfer of title*)
- (vi) arising from the Master or officers of the Vessel or the Charterers' agents signing bills of lading or other documents;
- (vii) in connection with:
  - (A) the arrest, seizure, taking into custody or other detention by any court or other tribunal or by any governmental entity; or
  - (B) subjection to distress by reason of any process, claim, exercise of any rights conferred by a lien or by any other action whatsoever, of the Vessel which are expended, suffered or incurred as a result of or in connection with any claim or against, or liability of, the Charterers or any other member of the Charter Group, together with any costs and expenses or other outgoings which may be paid or incurred by the Owners in releasing the Vessel from any such arrest, seizure, custody, detention or distress.

Provided however that the Owners shall not be entitled to any indemnification or recompense pursuant to this Clause 61 for any liabilities, obligations, losses, damages, penalties, claims, actions, suits, fees, costs, expenses and disbursements incurred by the Owners as a consequence of any (A) wilful breach of this Charter by the Owners, or (B) arrest of the Vessel arising due to any action or omission on the part of the Owners.

- (b) The Charterers shall pay to the Owners promptly on the Owners' written demand the amount of all costs and expenses (including legal fees) incurred by the Owners in connection with the enforcement of, or the preservation of any rights under, any Transaction Document including (without limitation) (i) any losses, costs and expenses which the Owners may from time to time sustain, incur or become liable for by reason of the Owners being deemed by any court or authority to be an operator, or in any way concerned in the operation, of the Vessel and (ii) collecting and recovering the proceeds of any claim under any of the Insurances.
- (c) Without prejudice to any right to damages or other claim which either Party may, at any time, have against the other hereunder, it is hereby agreed and declared that the indemnities of the Owners by the Charterers contained in this Charter shall continue in full force and effect for a period of twenty four (24) months after the Agreement Term.

## 62. Set-off

- (a) The Owners may set off any matured and/or contingent obligation due from the Charterers under the Transaction Documents (to the extent beneficially owned by the Owners) against any obligation (whether matured or not) owed by the Owners to the Charterers, regardless of the place of payment or currency of either obligation. If the

obligations are in different currencies, the Owners may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

- (b) The Charterers may not set off any matured and/or contingent obligation due from the Owners under the Transaction Documents (to the extent beneficially owned by the Charterers) against any obligation (whether matured or not) owed by the Charterers to the Owners, regardless of the place of payment or currency of either obligation.

**63. Further assurances and undertakings**

- (a) Each Party shall make all applications and execute all other documents and do all other acts and things as may be necessary to implement and to carry out their obligations under, and the intent of, this Charter.
- (b) The Parties shall act in good faith to each other in respect of any dealings or matters under, or in connection with, this Charter.

**64. Cumulative rights**

The rights, powers and remedies provided in this Charter are cumulative and not exclusive of any rights, powers or remedies at law or in equity unless specifically otherwise stated.

**65. Day count convention**

Any interest, commission or fee accruing under a Transaction Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days.

**66. No waiver**

No delay, failure or forbearance by a party to exercise (in whole or in part) any right, power or remedy under, or in connection with, this Charter will operate as a waiver. No waiver of any breach of any provision of this Charter will be effective unless that waiver is in writing and signed by the Party against whom that waiver is claimed. No waiver of any breach will be, or be deemed to be, a waiver of any other or subsequent breach.

**67. Entire agreement**

- (a) This Charter contains all the understandings and agreements of whatsoever kind and nature existing between the Parties in respect of this Charter, the rights, interests, undertakings agreements and obligations of the Parties to this Charter and shall supersede all previous and contemporaneous negotiations and agreements.
- (b) This Charter may not be amended, altered or modified except by a written instrument executed by each of the Parties to this Charter.

**68. Invalidity**

If any term or provision of this Charter or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable the remainder of this Charter or application of such term or provision to persons or circumstances (other than those as to which it is already invalid or unenforceable) shall (to the extent that such invalidity or unenforceability does not materially affect the operation of this Charter) not be affected

thereby and each term and provision of this Charter shall be valid and be enforceable to the fullest extent permitted by law.

**69. English language**

All notices, communications and financial statements and reports under or in connection with this Charter and the other Transaction Documents shall be in English language or, if in any other language, shall be accompanied by a translation into English. In the event of any conflict between the English text and the text in any other language, the English text shall prevail.

**70. No partnership**

Nothing in this Charter creates, constitutes or evidences any partnership, joint venture, agency, trust or employer/employee relationship between the Parties, and neither Party may make, or allow to be made any representation that any such relationship exists between the Parties. Neither Party shall have the authority to act for, or incur any obligation on behalf of, the other Party, except as expressly provided in this Charter.

**71. Notices**

- (a) Any notices to be given to the Owners under this Charter shall be sent in writing by registered letter, facsimile or email and addressed to:

[REDACTED]

Address: [REDACTED]

Fax No.: [REDACTED]

Email: [REDACTED]  
[REDACTED]  
[REDACTED]

Attention: [REDACTED]

or to such other address, facsimile number or email address as the Owners may notify to the Charterers in accordance with this Clause 71.

- (b) Any notices to be given to the Charterers under this Charter shall be sent in writing by registered letter, facsimile or email and addressed to:

Flex LNG Rainbow Limited

Flex LNG Management AS  
Bryggegata 3  
0250 Oslo, Norway  
e-mail: [finance@flexlng.com](mailto:finance@flexlng.com)

Att: Øystein Kalleklev

or to such other address, facsimile number or email address as the Charterers may notify to the Owners in accordance with this 71.

- (c) Any such notice shall be deemed to have reached the Party to whom it was addressed, when dispatched and acknowledged received (in case of a facsimile or an email) or when delivered (in case of a registered letter). A notice or other such communication received on a non-working day or after business hours in the place of receipt shall be deemed to be served on the next following working day in such place

**72. Conflicts**

Unless stated otherwise, in the event of there being any conflict or inconsistency between the provisions of Clauses 1 (*Definitions*) (Part II) to 31 (*Notices*) (Part II) and the provisions of Clauses 32 (*Definitions*) to 79 (*FATCA*), the provisions of Clauses 32 (*Definitions*) to 79 (*FATCA*) shall prevail.

**73. Survival of Charterers' obligations**

The termination of this Charter for any cause whatsoever shall not affect the right of the Owners to recover from the Charterers any money due to the Owners on or before the termination in consequence thereof and all other rights of the Owners (including but not limited to any rights, benefits or indemnities which are expressly provided to continue after the termination of this Charter) are reserved hereunder.

**74. Counterparts**

This Charter may be executed in any number of counterparts and any single counterpart or set of counterparts signed, in either case, by all the parties hereto shall be deemed to constitute a full and original agreement for all purposes.

**75. Confidentiality**

- (a) The Parties shall maintain the information provided in connection with the Transaction Documents strictly confidential and agree to disclose to no person other than:
  - (i) its board of directors, employees (only on a need to know basis), and shareholders, professional advisors and rating agencies;
  - (ii) as may be required to be disclosed under applicable law or regulations or for the purpose of legal proceedings or the rules of any relevant stock exchange;
  - (iii) in the case of the Owners, to any Finance Party or other actual or potential financier providing funding for the acquisition or refinancing of the Vessel;
  - (iv) in the case of the Charterers, to any Sub-Charterer in respect of obtaining any consent required under the terms of any Sub-Charter; and
  - (v) the shipbuilder and the managers, the classification society and flag authorities as may be necessary in connection with the transactions contemplated hereunder.
- (b) Any other disclosure by each Party shall be subject to the prior written consent of the other Party.

**76. Third Parties Act**

- (a) Any person which is an Indemnitee or a Finance Party from time to time and is not a party to this Charter shall be entitled to enforce such terms of this Charter as provided for in this Charter in relation to the obligations of the Charterers to such Indemnitee or (as the case may be) Finance Party, subject to the provisions of Clause 77 (*Law and jurisdiction*) and the Third Parties Act. The Third Parties Act applies to this Charter as set out in this Clause 76.
- (b) Save as provided above, a person who is not a party to this Charter has no right under the Third Parties Act to enforce or to enjoy the benefit of any term of this Charter.

**77. Law and jurisdiction**

- (a) This Charter and any non-contractual obligations arising from or in connection with it shall in all respects be governed by and interpreted in accordance with English law.
- (b) Any dispute, controversy or claim arising out of or relating to this Charter, including the existence, validity, interpretation, performance, breach or termination thereof or any dispute regarding non-contractual obligations arising out of or relating to it shall be referred to and finally resolved by arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause 77.
- (c) The arbitration shall be conducted in accordance with the London Maritime Arbitration Association (LMAA) terms current at the time when arbitration proceedings are commenced.
- (d) The reference shall be to three (3) arbitrators. A Party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other Party requiring the other Party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other Party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other Party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the Party referring a dispute to arbitration may, without the requirement of any further prior notice to the other Party, appoint its own arbitrator as sole arbitrator and shall advise the other Party accordingly. The award of a sole arbitrator shall be binding on both Parties as if he had been appointed by agreement.
- (e) Nothing herein shall prevent the Parties agreeing in writing to vary these provisions to provide for the appointment of a sole arbitrator.
- (f) In cases where neither the claim nor any counterclaim exceeds the sum of US Dollars Fifty Thousand (US\$50,000) (or such other sum as the Parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

## 78. Conditions subsequent

Notwithstanding anything to the contrary in this Charter, the obligations of the Owners to charter, or continue to charter, the Vessel to the Charterers under this Charter shall be subject to the conditions that:

- (a) the Owners shall have received the following documents and evidence in form and substance satisfactory to the Owners no later than three (3) Business Days after the Delivery Date:
  - (i) a copy of the endorsed policy issued by the insurer in respect of the Vessel;
  - (ii) a copy of the duly signed letter of undertaking issued by all the relevant underwriters or insurance brokers in respect of the Vessel;
  - (iii) the Vessel's current SMC (as such term is defined pursuant to the ISM Code);
  - (iv) the Approved Manager's current Document of Compliance (as such term is defined pursuant to the ISM Code);
  - (v) the Vessel's current ISSC; (vi) the Vessel's current IAPPC;
  - (vi) the Vessel's classification confirmation certificate evidencing that it is free of all recommendations and requirements from the Classification Society; and
  - (vii) the bill of sale, the builder's certificate, the declaration of warranty and the commercial invoice in respect of the Vessel issued by the Builders;
- (b) to the extent that the Sub-Charter requires prior written consent from the Sub-Charterers before the Charterers may conduct an assignment under the Charterers' Assignment, the Charterers shall procure to be delivered to the Owners an original of the duly executed acknowledgement by the Sub-Charterers in accordance with the Charterers Assignment no later than fourteen (14) calendar days after the Delivery Date; and
- (c) the Charterers and the Shareholder shall execute the undertaking(s) or deed(s) set out in Clause 49(r)(i)(B) on or before (14) calendar days after the Delivery Date.

## 80. FATCA

- (a) Defined terms

For the purposes of this Clause 79 (*FATCA*), the following terms shall have the following meanings:

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**FATCA**” means sections 1471 through 1474 of the Code and any Treasury regulations thereunder.



“**FATCA Deduction**” means a deduction or withholding from a payment under the Transaction Documents or the Project Documents required by or under FATCA.

“**FATCA Exempt Party**” means a Relevant Party that is entitled under FATCA to receive payments free from any FATCA Deduction.

“**FATCA FFI**” means a foreign financial institution as defined in section 1471(d)(4) of the Code which, if a Relevant Party is not a FATCA Exempt Party, could be required to make a FATCA Deduction.

“**FATCA Non-Exempt Party**” means any Relevant Party who is not a FATCA Exempt Party.

“**Relevant Party**” means any of the parties to the Transaction Documents.

“**IRS**” means the United States Internal Revenue Service or any successor taxing authority or agency of the United States government.

(b) FATCA Information

- (i) Subject to paragraph (iii) below, each Relevant Party shall, on the date of this Charter, and thereafter within ten (10) Business Days of a reasonable request by another Relevant Party:
  - (A) confirm to that other party whether it is a FATCA Exempt Party or is not a FATCA Exempt Party; and
  - (B) supply to the requesting party (with a copy to all other Relevant Parties) such other form or forms (including IRS Form W-8 or Form W-9 or any successor or substitute form, as applicable) and any other documentation and other information relating to its status under FATCA (including its applicable “pass thru percentage” or other information required under FATCA or other official guidance including intergovernmental agreements) as the requesting party reasonably requests for the purpose of the requesting party’s compliance with FATCA.
- (ii) If a Relevant Party confirms to any other Relevant Party that it is a FATCA Exempt Party or provides an IRS Form W-8 or W-9 showing that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that party shall so notify all other Relevant Parties reasonably promptly.
- (iii) Nothing in this Clause 74 (FATCA) shall oblige any Relevant Party to do anything which would or, in its reasonable opinion, might constitute a breach of any law or regulation, any policy of that party, any fiduciary duty or any duty of confidentiality, or to disclose any confidential information (including, without limitation, its tax returns and calculations); provided, however, that nothing in this paragraph shall excuse any Relevant Party from providing a true, complete and correct IRS Form W-8 or W-9 (or any successor or substitute form where applicable). Any information provided on such IRS Form W-8 or W-9 (or any successor or substitute forms) shall not be treated as confidential information of such party for purposes of this paragraph.

- (iv) If a Relevant Party fails to confirm its status or to supply forms, documentation or other information requested in accordance with the provisions of this Charter or the provided information is insufficient under FATCA, then:
  - (A) if that party failed to confirm whether it is (and/or remains) a FATCA Exempt Party then such party shall be treated for the purposes of the Transaction Documents as if it is a FATCA Non-Exempt Party; and
  - (B) if that party failed to confirm its applicable passthru percentage then such party shall be treated for the purposes of this Charter and the Transaction Documents (and payments made thereunder) as if its applicable passthru percentage is 100%,

until (in each case) such time as the party in question provides sufficient confirmation, forms, documentation or other information to establish the relevant facts.

(c) FATCA Deduction and gross-up by Relevant Party

- (i) If the representation made by the Charterers under Clause 48 (Charterers' representations and warranties) proves to be untrue or misleading such that the Charterers are required to make a FATCA Deduction, the Charterers shall make the FATCA Deduction and any payment required in connection with that FATCA Deduction within the time allowed and in the minimum amount required by FATCA.
- (ii) If the Charterers are required to make a FATCA Deduction then the Charterers shall increase the payment due from them to the Owners to an amount which (after making any FATCA Deduction) leaves an amount equal to the payment which would have been due if no FATCA Deduction had been required.
- (iii) The Charterers shall promptly upon becoming aware that they must make a FATCA Deduction (or that there is any change in the rate or basis of a FATCA Deduction) notify the Owners accordingly. Within thirty (30) days of the Charterers making either a FATCA Deduction or any payment required in connection with that FATCA Deduction, the Charterers shall deliver to the Owners evidence reasonably satisfactory to the Owners that the FATCA Deduction has been made or (as applicable) any appropriate payment paid to the relevant governmental or taxation authority.
- (iv) If the Owners are required to make a deduction or withholding from a payment under the Finance Documents in respect of FATCA, which deduction or withholding would not have been required if a Relevant Person were not a US Tax Obligor or FATCA FFI, and are required under the Finance Documents (if any) to pay additional amounts in respect of such deduction or withholding, the amount of the payment due from the Charterers shall be increased to an amount which, after any such deduction or withholding and payment of additional amounts, leaves the Owners with an amount equal to the amount which it would have had remaining if it had not been required to pay additional amounts under such Finance Documents.

(d) FATCA Deduction by Owners

The Owners may make any FATCA Deduction they are required by FATCA to make, and any payment required in connection with that FATCA Deduction, and the Owners shall not be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient for that FATCA Deduction.

**SCHEDULE 1  
FORM OF PROTOCOL OF DELIVERY AND ACCEPTANCE**

**PROTOCOL OF DELIVERY AND ACCEPTANCE**

It is hereby certified that pursuant to a bareboat charter dated \_\_\_\_\_ and made between \_\_\_\_\_ (the “**Owners**”) as owner and Flex LNG Rainbow Limited of The Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Republic of the Marshall Islands MH96960 (the “**Bareboat Charterers**”) as bareboat charterer (as maybe amended and supplemented from time to time, the “**Bareboat Charter**”) in respect of one (1) vessel named “FLEX RAINBOW “ and registered under the laws and flag of the Marshall Islands with IMO number 9709037 (the “**Vessel**”), the Vessel is delivered for charter by the Owners to the Bareboat Charterers, and accepted by the Bareboat Charterers from the Owners at hours ([●] time) on the date hereof in accordance with the terms and conditions of the Bareboat Charter.

IN WITNESS WHEREOF, the Owners and the Bareboat Charterers have caused this PROTOCOL OF DELIVERY AND ACCEPTANCE to be executed by their duly authorised representative on this \_\_\_\_\_ day of \_\_\_\_\_ 20[●] in [●].

THE OWNERS

THE BAREBOAT CHARTERERS

by:

by:

\_\_\_\_\_  
Name:  
Title:  
Date:

\_\_\_\_\_  
Name:  
Title:  
Date:

**SCHEDULE 2**  
**FORM OF TITLE TRANSFER PROTOCOL OF DELIVERY AND ACCEPTANCE**  
**PROTOCOL OF DELIVERY AND ACCEPTANCE**

Vessel "FLEX RAINBOW "

[REDACTED] (the "Owners") deliver to Flex LNG Rainbow Limited, a corporation incorporated under the laws of the Republic of the Marshall Islands with registration number 90438 and its registered office at The Trust Company, Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960 (the "Bareboat Charterers") the Vessel described below and the Bareboat Charterers accept delivery of, title and risk to the Vessel pursuant to the terms and conditions of the bareboat charterer dated \_\_\_\_\_ 2018 (as may be amended and supplemented from time to time) and made between (1) the Owners and (2) the Bareboat Charterers.

Name of Vessel: "FLEX RAINBOW "

Flag: Marshall Islands

Place of Registration: Maujoro

IMO Number: 9709037

Gross Registered Tonnage: 115,174 tons

Net Registered Tonnage: 34,860 tons

Dated: 20[●]

At: hours ([●] time)

Place of delivery:

THE OWNER

[REDACTED]  
]

by:

\_\_\_\_\_

Name:  
Title:  
Date:

THE BAREBOAT CHARTERER

Flex LNG Rainbow Limited

by:

\_\_\_\_\_

Name:  
Title:  
Date:

**SCHEDULE 3  
HIRE PAYMENT SCHEDULE**

(Note: Schedule prepared on the assumption that LIBOR is 3.0% per annum)

INSTALMENT NO.	HIRE PAYMENT DATE	HIRE PAYMENT	FIXED HIRE	VARIABLE HIRE*	COST BALANCE
					157,500,000
1	2018/10/15	4,585,000.00	1,968,750.00	2,616,250.00	155,531,250.00
2	2019/1/15	4,552,296.88	1,968,750.00	2,583,546.88	153,562,500.00
3	2019/4/15	4,464,140.63	1,968,750.00	2,495,390.63	151,593,750.00
4	2019/7/15	4,459,519.53	1,968,750.00	2,490,769.53	149,625,000.00
5	2019/10/15	4,454,187.50	1,968,750.00	2,485,437.50	147,656,250.00
6	2020/1/15	4,421,484.38	1,968,750.00	2,452,734.38	145,687,500.00
7	2020/4/15	4,362,476.56	1,968,750.00	2,393,726.56	143,718,750.00
8	2020/7/15	4,330,128.91	1,968,750.00	2,361,378.91	141,750,000.00
9	2020/10/15	4,323,375.00	1,968,750.00	2,354,625.00	139,781,250.00
10	2021/1/15	4,290,671.88	1,968,750.00	2,321,921.88	137,812,500.00
11	2021/4/15	4,208,203.13	1,968,750.00	2,239,453.13	135,843,750.00
12	2021/7/15	4,200,738.28	1,968,750.00	2,231,988.28	133,875,000.00
13	2021/10/15	4,192,562.50	1,968,750.00	2,223,812.50	131,906,250.00
14	2022/1/15	4,159,859.38	1,968,750.00	2,191,109.38	129,937,500.00
15	2022/4/15	4,080,234.38	1,968,750.00	2,111,484.38	127,968,750.00
16	2022/7/15	4,071,347.66	1,968,750.00	2,102,597.66	126,000,000.00
17	2022/10/15	4,061,750.00	1,968,750.00	2,093,000.00	124,031,250.00
18	2023/1/15	4,029,046.88	1,968,750.00	2,060,296.88	122,062,500.00
19	2023/4/15	3,952,265.63	1,968,750.00	1,983,515.63	120,093,750.00
20	2023/7/15	3,941,957.03	1,968,750.00	1,973,207.03	118,125,000.00
21	2023/10/15	3,930,937.50	1,968,750.00	1,962,187.50	116,156,250.00
22	2024/1/15	3,898,234.38	1,968,750.00	1,929,484.38	114,187,500.00
23	2024/4/15	3,844,914.06	1,968,750.00	1,876,164.06	112,218,750.00
24	2024/7/15	3,812,566.41	1,968,750.00	1,843,816.41	110,250,000.00
25	2024/10/15	3,800,125.00	1,968,750.00	1,831,375.00	108,281,250.00
26	2025/1/15	3,767,421.88	1,968,750.00	1,798,671.88	106,312,500.00
27	2025/4/15	3,696,328.13	1,968,750.00	1,727,578.13	104,343,750.00
28	2025/7/15	3,683,175.78	1,968,750.00	1,714,425.78	102,375,000.00
29	2025/10/15	3,669,312.50	1,968,750.00	1,700,562.50	100,406,250.00
30	2026/1/15	3,636,609.38	1,968,750.00	1,667,859.38	98,437,500.00
31	2026/4/15	3,568,359.38	1,968,750.00	1,599,609.38	96,468,750.00
32	2026/7/15	3,553,785.16	1,968,750.00	1,585,035.16	94,500,000.00
33	2026/10/15	3,538,500.00	1,968,750.00	1,569,750.00	92,531,250.00
34	2027/1/15	3,505,796.88	1,968,750.00	1,537,046.88	90,562,500.00
35	2027/4/15	3,440,390.63	1,968,750.00	1,471,640.63	88,593,750.00
36	2027/7/15	3,424,394.53	1,968,750.00	1,455,644.53	86,625,000.00
37	2027/10/15	3,407,687.50	1,968,750.00	1,438,937.50	84,656,250.00
38	2028/1/15	3,374,984.38	1,968,750.00	1,406,234.38	82,687,500.00
39	2028/4/15	3,327,351.56	1,968,750.00	1,358,601.56	80,718,750.00
40	2028/7/15	3,295,003.91	1,968,750.00	1,326,253.91	78,750,000.00



**SCHEDULE 4**

**SCHEDULE OF PURCHASE OPTION PRICE**

(Note: Subject to the Owners' confirmation by reference to the figure to be provided by the Owners upon the fixing of the delivery or closing date in accordance with such early purchase of the Vessel.)

**“Flex Rainbow”**

<b>Date (corresponding to a Hire Payment Date)</b>	<b>Purchase Option Price</b>	<b>Hire payment</b>				
2020/10/15	139,781,250.00	4,323,375.00				
2021/1/15	137,812,500.00	4,290,671.88				
2021/4/15	135,843,750.00	4,208,203.13				
2021/7/15	133,875,000.00	4,200,738.28				
2021/10/15	131,906,250.00	4,192,562.50				
2022/1/15	129,937,500.00	4,159,859.38				
2022/4/15	127,968,750.00	4,080,234.38				
2022/7/15	126,000,000.00	4,071,347.66				
2022/10/15	124,031,250.00	4,061,750.00				
2023/1/15	122,062,500.00	4,029,046.88				
2023/4/15	120,093,750.00	3,952,265.63				
2023/7/15	118,125,000.00	3,941,957.03				
2023/10/15	116,156,250.00	3,930,937.50				
2024/1/15	114,187,500.00	3,898,234.38				
2024/4/15	112,218,750.00	3,844,914.06				
2024/7/15	110,250,000.00	3,812,566.41				
2024/10/15	108,281,250.00	3,800,125.00				
2025/1/15	106,312,500.00	3,767,421.88				
2025/4/15	104,343,750.00	3,696,328.13				
2025/7/15	102,375,000.00	3,683,175.78				
2025/10/15	100,406,250.00	3,669,312.50				
2026/1/15	98,437,500.00	3,636,609.38				
2026/4/15	96,468,750.00	3,568,359.38				
2026/7/15	94,500,000.00	3,553,785.16				
2026/10/15	92,531,250.00	3,538,500.00				
2027/1/15	90,562,500.00	3,505,796.88				
2027/4/15	88,593,750.00	3,440,390.63				
2027/7/15	86,625,000.00	3,424,394.53				
2027/10/15	84,656,250.00	3,407,687.50				
2028/1/15	82,687,500.00	3,374,984.38				
2028/4/15	80,718,750.00	3,327,351.56				



**SIGNATURE PAGE**

**ADDITIONAL CLAUSES  
TO BAREBOAT CHARTER FOR  
"FLEX RAINBOW"**

**THE OWNER**

[REDACTED]  
]

by:

---

Name: [REDACTED]  
Title: [REDACTED]  
Date:

**THE CHARTERERS**

Flex LNG Rainbow Limited

by:

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Name:  
Title:  
Date:

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# MEMORANDUM OF AGREEMENT

Norwegian Shipbrokers' Association's  
Memorandum of Agreement for sale and  
purchase of ships. Adopted by BIMCO in 1956.  
Code-name  
**SALEFORM 2012**  
Revised 1966, 1983 and 1986/87, 1993 and 2012

[REDACTED]  
[REDACTED]  
[REDACTED]  
Name of vessel: **Flex Rainbow**

IMO Number: **9709037**

Classification Society: **American Bureau of Shipping**

Class Notation: **A1, Liquefied Gas Carrier, (E), AMS, ACCU, APS, SH, CPS, SHCM**

Year of Build: **2018** Builder/Yard: **Samsung Heavy Industry Co. Ltd, Korea**

Flag: **Marshall Islands** Place of Registration: **Majuro** GT/NT: **115,174/34,860**

hereinafter called the "Vessel", on the following terms and conditions:

## Definitions

"Banking Days" are days on which banks are open both in the country of the currency stipulated for the Purchase Price in Clause 1 (Purchase Price) and in the place of closing stipulated in Clause 8 (Documentation) and Hong Kong, Shanghai, Oslo and New York (*add additional jurisdictions as appropriate*).

"Buyers' Nominated Flag State" means **Marshall Islands** (*state flag state*).

"Class" means the class notation referred to above.

"Classification Society" means the Classification Society referred to above.

~~"Deposit" shall have the meaning given in Clause 2 (Deposit)~~

~~"Deposit Holder" means \_\_\_\_\_ (*state name and location of Deposit Holder*) or, if left blank, the Sellers' Bank, which shall hold and release the Deposit in accordance with this Agreement.~~

"In writing" or "written" means a letter handed over from the Sellers to the Buyers or vice versa, a registered letter, e-mail or telefax.

"Parties" means the Sellers and the Buyers.

"Purchase Price" means the price for the Vessel as stated in Clause 1 (Purchase Price).

~~"Sellers' Account" means \_\_\_\_\_ (*state details of bank account*) at the Seller's Bank.~~

~~"Sellers' Bank" means \_\_\_\_\_ (*state name of bank, branch and details*) or, if left blank, the bank notified by the Sellers to the Buyers for receipt of the balance of the Purchase Price.~~

## 1. Purchase Price

The Purchase Price is US **Dollars Two Hundred and Ten Million (US\$210,000,000)** (*state currency and amount both in words and figures*). See also Additional Clause 20.

## 2. Deposit

As security for the correct fulfilment of this Agreement the Buyers shall lodge a deposit of    % (    per cent) or, if left blank, 10% (ten per cent), of the Purchase Price (the "Deposit") in an interest bearing account for the Parties with the Deposit Holder within three (3) Banking Days after the date that:

- (i) this Agreement has been signed by the Parties and exchanged in original or by e-mail or telefax; and
- (ii) the Deposit Holder has confirmed in writing to the Parties that the account has been opened.

The Deposit shall be released in accordance with joint written instructions of the Parties'. Interest, if any, shall be credited to the Buyers. Any fee charged for holding and releasing the

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Deposit shall be borne equally by the Parties. The Parties shall provide to the Deposit Holder all necessary documentation to open and maintain the account without delay.

**3. Payment See Additional Clause 21 (Payment of the Purchase Price)**

On delivery of the Vessel, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices):

- (i) the Deposit shall be released to the Sellers; and
- (ii) the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this Agreement shall be paid in full free of bank charges to the Sellers' Account.

**4. Inspection**

**(a)\*** The Buyers have inspected and accepted the Vessel's classification records. The Buyers have also inspected the Vessel at in \_\_\_\_\_ (state place) on \_\_\_\_\_ (state date) and have accepted the Vessel following this inspection and the sale is outright and definite, subject only to the terms and conditions of this Agreement.

**(b)\*** The Buyers shall have the right to inspect the Vessels classification records and declare whether same are accepted or not within \_\_\_\_\_ (State date/period).

The Sellers shall make the Vessel available for inspection at/in \_\_\_\_\_ (state place/range) within \_\_\_\_\_ (state date/period).

The Buyers shall undertake the inspection without undue delay to the Vessel. Should the Buyers cause undue delay they shall compensate the Sellers for the losses thereby incurred.

The Buyers shall inspect the Vessel without opening up and without cost to the Sellers.

During the inspection, the Vessel's dock and engine log books shall be made available for examination by the Buyers.

The Sale shall become outright and definite, subject only to the terms and conditions of this Agreement, provided that the Sellers receive written notice of acceptance of the Vessel from the Buyers within seventy two (72) hours after completion of such inspection or after the date/last day of the period stated in Line 59, whichever is earlier.

Should the Buyers fail to undertake the inspection as scheduled and/or notice of acceptance of the Vessel's classification records and/or of the Vessel not be received by the Sellers as aforesaid, the Deposit together with interest earned, if any, shall be released immediately to the Buyers, whereafter this Agreement shall be null and void.

*\*4(a) and 4(b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 4(a) shall apply.*

**5. Time and place of delivery and notices**

**(a)** The Vessel shall be delivered and taken over safely afloat at a safe and always accessible berth or anchorage at/in \_\_\_\_\_ (state place/range) in the Sellers' option.

Notice of Readiness shall not be tendered before: \_\_\_\_\_ (date).

Cancelling Date (see Clauses 5(c), 6 (a)(i), 6 (a) (iii) and 14): **210 days from 9 July 2018 or such later date as the Buyers may agree.**

**(b)** The Sellers shall keep the Buyers well informed of the Vessel's itinerary and shall provide the Buyers with twenty (20), ten (10), five (5) and three (3) days' notice of the date the Sellers intend to tender Notice of Readiness and of the intended place of delivery.

When the Vessel is at the place of delivery and physically ready for delivery in accordance with this Agreement, the Sellers shall give the Buyers a written Notice of Readiness for delivery.

**(c)** If the Sellers anticipate that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date they may notify the Buyers in writing stating the date when they anticipate that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyers shall have the option

of either cancelling this Agreement in accordance with Clause 14 (Sellers' Default) within three (3) Banking Days of receipt of the notice or of accepting the new date as the new Cancelling Date. If the Buyers have not declared their option within three (3) Banking Days of receipt of the Sellers' notification or if the Buyers accept the new date, the date proposed in the Sellers' notification shall be deemed to be the new Cancelling Date and shall be substituted for the

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Cancelling Date stipulated in line 79.

If this Agreement is maintained with the new Cancelling Date all other terms and conditions hereof including those contained in Clauses 5(b) and 5(d) shall remain unaltered and in full force and effect.

~~(d)~~ Cancellation, failure to cancel or acceptance of the new Cancelling Date shall be entirely without prejudice to any claim for damages the Buyers may have under Clause 14 (Sellers' Default) for the Vessel not being ready by the original Cancelling Date.

~~(e)~~ Should the Vessel become an actual, constructive or compromised total loss before delivery the Deposit together with interest earned, if any, shall be released immediately to the Buyers whereafter this Agreement shall be null and void.

## 6. Divers Inspection / Drydocking

~~(a)~~<sup>\*</sup>

~~(i)~~ The Buyers shall have the option at their cost and expense to arrange for an underwater inspection by a diver approved by the Classification Society prior to the delivery of the Vessel. Such option shall be declared latest nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement. The Sellers shall at their cost and expense make the Vessel available for such inspection. This inspection shall be carried out without undue delay and in the presence of a Classification Society surveyor arranged for by the Sellers and paid for by the Buyers. The Buyers' representative(s) shall have the right to be present at the diver's inspection as observer(s) only without interfering with the work or decisions of the Classification Society surveyor. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the Classification Society. If the conditions at the place of delivery are unsuitable for such inspection, the Sellers shall at their cost and expense make the Vessel available at a suitable alternative place near to the delivery port, in which event the Cancelling Date shall be extended by the additional time required for such positioning and the subsequent re-positioning. The Sellers may not tender Notice of Readiness prior to completion of the underwater inspection.

~~(ii)~~ If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, then (1) unless repairs can be carried out afloat to the satisfaction of the Classification Society, the Sellers shall arrange for the Vessel to be drydocked at their expense for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules (2) such defects shall be made good by the Sellers at their cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\* and (3) the Sellers shall pay for the underwater inspection and the Classification Society's attendance.

Notwithstanding anything to the contrary in this Agreement, if the Classification Society do not require the aforementioned defects to be rectified before the next class drydocking survey, the Sellers shall be entitled to deliver the Vessel with these defects against a deduction from the Purchase Price of the estimated direct cost (of labour and materials) of carrying out the repairs to the satisfaction of the Classification Society, whereafter the Buyers shall have no further rights whatsoever in respect of the defects and/or repairs. The estimated direct cost of the repairs shall be the average of quotes for the repair work obtained from two reputable independent shipyards at or in the vicinity of the port of delivery, one to be obtained by each of the Parties within two (2) Banking Days from the date of the imposition of the condition/recommendation, unless the Parties agree otherwise. Should either of the Parties fail to obtain such a quote within the stipulated time then the quote duly obtained by the other Party shall be the sole basis for the estimate of the direct repair costs. The Sellers may not tender Notice of Readiness prior to such estimate having been established.

~~(iii)~~ If the Vessel is to be drydocked pursuant to Clause 6(a)(ii) and no suitable dry-docking facilities are available at the port of delivery, the Sellers shall take the Vessel to a port where suitable drydocking facilities are available, whether within or outside the delivery range as per Clause 5(a). Once drydocking has taken place the Sellers shall deliver the Vessel at a port within the delivery range as per Clause 5(a) which shall, for the purpose of this Clause, become the new port of delivery. In such event the Cancelling Date shall be extended by the additional time required for the drydocking and extra steaming, but limited to a maximum of fourteen (14) twenty (20) days.

~~(b)~~<sup>\*</sup> The Sellers shall place the Vessel in drydock at the port of delivery for inspection by the

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Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules. If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, such defects shall be made good at the Sellers' cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\*. In such event the Sellers are also to pay for the costs and expenses in connection with putting the Vessel in and taking her out of drydock, including the drydock dues and the Classification Society's fees. The Sellers shall also pay for these costs and expenses if parts of the tailshaft system are condemned or found defective or broken so as to affect the Vessel's class. In all other cases, the Buyers shall pay the aforesaid costs and expenses, dues and fees.

(e) If the Vessel is drydocked pursuant to Clause 6(a)(ii) or 6(b) above:

- (i) The Classification Society may require survey of the tailshaft system, the extent of the survey being to the satisfaction of the Classification surveyor. If such survey is not required by the Classification Society, the Buyers shall have the option to require the tailshaft to be drawn and surveyed by the Classification Society, the extent of the survey being in accordance with the Classification Society's rules for tailshaft survey and consistent with the current stage of the Vessel's survey cycle. The Buyers shall declare whether they require the tailshaft to be drawn and surveyed not later than by the completion of the inspection by the Classification Society. The drawing and refitting of the tailshaft shall be arranged by the Sellers. Should any part of the tailshaft system be condemned or found defective so as to affect the Vessel's class, those parts shall be renewed or made good at the Sellers' cost and expense to the satisfaction of Classification Society without condition/recommendation\*\*.
- (ii) The costs and expenses relating to the survey of the tailshaft system shall be borne by the Buyers unless the Classification Society requires such survey to be carried out or if parts of the system are condemned or found defective or broken so as to affect the Vessel's class, in which case the Sellers shall pay these costs and expenses.
- (iii) The Buyers' representative(s) shall have the right to be present in the drydock, as observer(s) only without interfering with the work or decisions of the Classification Society surveyor.
- (iv) The Buyers shall have the right to have the underwater parts of the Vessel cleaned and painted at their risk, cost and expense without interfering with the Seller's or the Classification Society surveyor's work, if any, and without affecting the Vessel's timely delivery. If, however, the Buyers' work in drydock is still in progress when the Sellers have completed the work which the Sellers are required to do, the additional docking time needed to complete the Buyers' work shall be for the Buyers' risk, cost and expense. In the event that the Buyers' work required such additional time, the Sellers may upon completion of the Sellers' work tender Notice of Readiness for delivery whilst the Vessel is still in drydock and, notwithstanding Clause 5(a), the Buyers shall be obliged to take delivery in accordance with Clause 3 (Payment), whether the Vessel is in drydock or not.

*\*6 (a) and 6 (b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 6 (a) shall apply.*

*\*\*Notes or memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/ recommendation are not to be taken into account.*

## 7. Spares, bunkers and other items

The Sellers shall deliver the Vessel to the Buyers with everything belonging to her on board and on shore. All spare parts and spare equipment including spare tail-end shaft(s) and/or spare propeller(s)/propeller blade(s), if any, belonging to the Vessel at the time of delivery inspection used or unused, whether on board or not shall become the Buyers' property, but spares on order are excluded. Forwarding charges, if any, shall be for the Buyers' account. The Sellers are not required to replace spare parts including spare tail-end shaft(s) and spare propeller(s)/propeller blade(s) which are taken out of spare and used as replacement prior to delivery, but the replaced items shall be the property of the Buyers. Unused stores and provisions shall be included in the sale and be taken over by the Buyers without extra payment.

Library and forms exclusively for use in the Sellers' vessel(s) and captain's, officers' and crew's personal belongings including the slop chest are excluded from the sale without compensation, as well as the following additional items:- \_\_\_\_\_ (include list)

Items on board which are on hire or owned by third parties, listed as follows, are excluded from

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the sale without compensation: \_\_\_\_\_ *(include list)*

Items on board at the time of delivery inspection which are on hire or owned by third parties, not listed above, shall be replaced or procured by the Sellers prior to delivery at their cost and expense.

The Buyers shall take over remaining bunkers and unused lubricating and hydraulic oils and greases in storage tanks and unopened drums without extra payment and pay either:

**(a)** ~~\*the actual net price (excluding barging expenses) as evidenced by invoices or vouchers; or~~

**(b)** ~~\*the current net market price (excluding barging expenses) at the port and date of delivery of the Vessel or, if unavailable, at the nearest bunkering port.~~

for the quantities taken over.

Payment under this Clause shall be made at the same time and place and in the same currency as the Purchase Price.

“inspection” in this Clause 7, shall mean the Buyers’ inspection according to Clause 4(a) or 4(b) (Inspection), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*~~(a) and (b) are alternatives, delete whichever is not applicable. In the absence of deletions alternative (a) shall apply.~~*

## 8. Documentation

The place of closing: [\*\*]

**(a)** Without prejudice and in addition to Additional Clause 21 (Payment of the Purchase Price). ~~In exchange for~~ payment of the Purchase Price is conditional upon the Sellers shall providing the Buyers with the following delivery documents (on or before the Delivery Date):

- (i)** Legal Bill(s) of Sale in a form recordable in the Buyers’ Nominated Flag State, transferring title of the Vessel and stating that the Vessel is free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, ~~duly notarially attested and legalised or apostilled~~ acknowledged by a special agent of the registry of, as required by the Buyers’ Nominated Flag State;
- (ii)** Evidence that all necessary corporate, shareholder and other action has been taken by the Sellers to authorise the execution, delivery and performance of this Agreement;
- (iii)** Power of Attorney of the Sellers appointing one or more representatives to act on behalf of the Sellers in the performance of this Agreement, ~~duly notarially attested and legalised or apostilled (as appropriate);~~
- (iv)** Certificate of Ownership and Encumbrance ~~or Transcript of Registry~~ issued by the competent authorities of the flag state on ~~the date of delivery~~ 9 July 2018 evidencing the Sellers’ ownership of the Vessel and that the Vessel is free from registered encumbrances and mortgages, to be faxed or e-mailed by such authority to the closing meeting with the original to be sent to the Buyers as soon as possible after delivery of the Vessel;
- (v)** A copy of the Interim Class Certificate dated 9 July 2018 and a copy of the Declaration of Class or (depending on the Classification Society) a Class Maintenance Certificate issued on or about 9 July 2018 ~~issued within three (3) Banking Days prior to delivery~~ confirming that the Vessel is in Class free of condition/recommendation (originals of which to be delivered to the Buyers within 7 Banking Days of the Delivery Date);
- (vi)** ~~Certificate of Deletion of the Vessel from the Vessel’s registry or other official evidence of deletion appropriate to the Vessel’s registry at the time of delivery, or, in the event that the registry does not as a matter of practice issue such documentation immediately a written undertaking by the Sellers to effect deletion from the Vessel’s registry forthwith and provide a certificate or other official evidence of deletion to the Buyers promptly and latest within four (4) weeks after the Purchase Price has been paid and the Vessel has been delivered;~~

- (vii) ~~A copy of the Vessel's Continuous Synopsis Record certifying the date on which the Vessel ceased to be registered with the Vessel's registry, or, in the event that the registry does not as a matter of practice issue such certificate immediately, a written undertaking from the Sellers to provide the copy of this certificate promptly upon it being issued together with evidence of submission by the Sellers of a duly executed Form 2 stating~~

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the date on which the Vessel shall cease to be registered with the Vessel's registry;

(viii) Commercial Invoice for the Vessel;

~~(ix) Commercial Invoice(s) for bunkers, lubricating and hydraulic oils and greases;~~

~~(x) A copy of the Sellers' letter to their satellite communication provider cancelling the Vessel's communication contract which is to be sent immediately after delivery of the Vessel;~~

(xi) Any additional documents as may reasonably be required by the competent authorities of the Buyers' Nominated Flag State for the purpose of registering the Vessel, provided the Buyers notify the Sellers of any such documents as soon as possible after the date of this Agreement; and

(xii) The Sellers' letter of confirmation that to the best of their knowledge, the Vessel is not black listed by any nation or international organisation.

A certificate from a director/officer of the Sellers confirming that all copies of documents provided under this Agreement are true copies of such documents;

A Protocol of Delivery and Acceptance signed by the Parties confirming the date and time of delivery of the Vessel from the Sellers to the Buyers; and

A Certificate of Ownership and Encumbrance issued on the Delivery Date by the Marshall Islands Ship Registry (evidencing that the Buyers are the owners of the Vessel and that the Vessel is free from registered encumbrances and mortgages other than any Security Interest in favour of the Finance Parties (as defined in the Bareboat Charter)).

(b) At the time of delivery the Buyers shall provide the Sellers with:

(i) Evidence that all necessary corporate, shareholder and other action has been taken by the Buyers to authorise the execution, delivery and performance of this Agreement; and

(ii) (if applicable) Power of Attorney of the Buyers appointing one or more representatives to act on behalf of the Buyers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate) acknowledged by Marshall Islands ship registry authorities.

(c) If any of the documents listed in Sub clauses (a) and (b) above the documentary addendum are not in the English language they shall be accompanied by an English translation by an authorised translator or certified by a lawyer qualified to practice in the country of the translated language.

(d) The Parties shall to the extent possible exchange copies, drafts or samples of the documents listed in Sub-clause (a) and Sub-clause (b) above for review and comment by the other party, ~~not later than \_\_\_\_\_ (state number of days), or if left blank, nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement.~~

(e) Concurrent with the exchange of documents in Sub-clause (a) and Sub-clause (b) above, ~~the Sellers shall also hand to the Buyers shall gain title and ownership to~~ the classification certificate(s) as well as all plans, drawings and manuals, ~~(excluding ISM/ISPS manuals), which are on board the Vessel and on the Delivery Date shall remain on-board the Vessel.~~ Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers have the right to take copies.

(f) Other technical documentation which may be in the Sellers' possession shall promptly after delivery be forwarded to the Buyers at their expense, if they so request. The Sellers may keep the Vessel's log books but the Buyers have the right to take copies of same.

~~(g) The Parties shall sign and deliver to each other a Protocol of Delivery and Acceptance confirming the date and time of delivery of the Vessel from the Sellers to the Buyers.~~

**9. Encumbrances**

The Sellers warrant that the Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other claims or debts whatsoever, and is not subject to Port State or other administrative detentions. The Sellers hereby undertake to indemnify the Buyers against all consequences of claims made against the Vessel which have been incurred

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prior to the time of delivery.

**10. Taxes, fees and expenses**

Any taxes, fees and expenses in connection with the purchase and registration in the Buyers' Nominated Flag State shall be for the ~~Sellers~~ Buyers' account, whereas similar charges in connection with the closing of the Sellers' register shall be for the Sellers' account.

**11. Condition on delivery**

The Vessel with everything belonging to her shall be at the Sellers' risk and expense until she is delivered to the Buyers, but subject to the terms and conditions of this Agreement she shall be delivered and taken over "as is where is" ~~she was~~ at the time of delivery inspection, fair wear and tear excepted.

However, the Vessel shall be delivered ~~free of cargo and~~ free of stowaways with her Class maintained without condition/ recommendation\*, free of average damage affecting the Vessel's class, and with her classification certificates and national certificates, as well as all other certificates the Vessel had at the time of delivery inspection, clean, valid and unextended without condition/ recommendation\* by the Classification Society or the relevant authorities at the time of delivery.

"inspection" in this Clause 11, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspections), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*Notes and memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/ recommendation are not to be taken into account.*

**12. Name/markings**

Upon delivery the Buyers undertake to change the name of the Vessel and alter funnel markings.

**13. Buyers' default**

Should the Deposit not be lodged in accordance with Clause 2 (Deposit), the Sellers have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest.

Should the Purchase Price not be paid in accordance with Clause 3 (Payment), the Sellers have the right to cancel this Agreement, in which case the Deposit together with interest earned, if any, shall be released to the Sellers. If the Deposit does not cover their loss, the Sellers shall be entitled to claim further compensation for their losses and for all expenses incurred together with interest.

**14. Sellers' default**

Should the Sellers fail to give Notice of Readiness in accordance with Clause 5(b) or fail to be ready to validly complete a legal transfer by the Cancelling Date the Buyers shall have the option of cancelling this Agreement. If after Notice of Readiness has been given but before the Buyers have taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and new Notice of Readiness given, the Buyers shall retain their option to cancel. In the event that the Buyers elect to cancel this Agreement, the Deposit together with interest earned, if any, shall be released to them immediately.

Should the Sellers fail to give Notice of Readiness by the Cancelling Date or fail to be ready to validly complete a legal transfer as aforesaid they shall make due compensation to the Buyers for their loss and for all expenses together with interest if their failure is due to proven negligence and whether or not the Buyers cancel this Agreement.

**15. Buyers' representatives**

After this Agreement has been signed by the Parties and the Deposit has been lodged, the Buyers have the right to place two (2) representatives on board the Vessel at their sole risk and expense.

These representatives are on board for the purpose of familiarisation and in the capacity of observers only, and they shall not interfere in any respect with the operation of the Vessel. The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation.

**16. Law and Arbitration See Additional Clause 24 (Governing Law) and 25 (Arbitration)**

~~(a) \*This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-~~

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enactment thereof save to the extent necessary to give effect to the provisions of this Clause.

The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both Parties as if the sole arbitrator had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$100,000 the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

~~(b) \*This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the substantive law (not including the choice of law rules) of the State of New York and any dispute arising out of or in connection with this Agreement shall be referred to three (3) persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgement may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.~~

~~In cases where neither the claim nor any counterclaim exceeds the sum of US\$100,000 the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc.~~

~~(e) This Agreement shall be governed by and construed in accordance with the laws of \_\_\_\_\_ (state place) and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at \_\_\_\_\_ (state place), subject to the procedures applicable there.~~

*\*16(a), 16(b) and 16(c) are alternatives; delete whichever is not applicable, In the absence of deletions, alternative 16(a) shall apply.*

**17. Notices See Additional Clause 26 (Notices)**

All notices to be provided under this Agreement shall be in writing.

Contact details for recipients of notices are as follows:

For the Buyers: \_\_\_\_\_

For the Sellers: \_\_\_\_\_

**18. Entire Agreement**

The written terms of this Agreement comprise the entire agreement between the Buyers and the Sellers in relation to the sale and purchase of the Vessel and supersede all previous agreements whether oral or written between the Parties in relation thereto.

Each of the Parties acknowledges that in entering into this Agreement it has not relied on and shall have no right or remedy in respect of any statement, representation, assurance or warranty (whether or not made negligently) other than as is expressly set out in this Agreement.

Any terms implied into this Agreement by any applicable statute or law are hereby excluded to the extent that such exclusion can legally be made. Nothing in this Clause shall limit or exclude any liability for fraud.

For and on behalf of the Sellers

For and on behalf of the Buyers

Name: \_\_\_\_\_

Name: [REDACTED]

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Title: \_\_\_\_\_

Title: [REDACTED]

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**ADDITIONAL CLAUSES**  
**TO MEMORANDUM OF AGREEMENT DATED July 2018**

**FOR THE LNG CARRIER "FLEX RAINBOW" (IMO NUMBER 9709037)**

**19. Sellers' representation**

The Sellers represent and warrant as at the date hereof and on the Delivery Date that:

- (a) they are the sole registered legal and beneficial owner of the Vessel;
- (b) they are not a Restricted Party; and
- (c) neither themselves nor any of their directors, officers or employees or any person acting on their behalf has received notice or are aware of any claim, action, suit, proceeding or investigation against any of them or the Vessel with respect to Sanctions by a Sanctions Authority.

**20. Adjustment of the Purchase Price**

The Purchase Price shall be adjusted if the Contract Price of the Vessel under the Building Contract is reduced below United States Dollars Two Hundred and Eleven Million Nine Hundred and Twenty Thousand (US\$211,920,000), in which case the Purchase Price shall be reduced by such reduction amount.

**21. Payment of the Purchase Price**

- (a) The Buyers shall pay the Purchase Price in the following manner:
    - (i) *for an amount equivalent to the Advance Hire (US\$52,500,000)*: by netting on the Delivery Date against the Advance Hire payable by the Sellers to the Buyers under the Bareboat Charter (so that, after netting, the Buyers shall be considered to have paid the Sellers part of the Purchase Price equivalent to the amount of the Advance Hire and the Sellers shall be considered to have paid the Buyers the Advance Hire); and
    - (ii) *for the remainder (an amount up to US\$157,500,000 subject to any adjustment under Clause 20)*: by remittance to the Sellers's designated bank account.
  - (b) The obligation of the Buyers to pay all or any part of the Purchase Price is subject to and conditional upon the conditions precedent set out in clause 37 of the Bareboat Charter having been satisfied (upon which the Buyers shall notify the Sellers in writing).
  - (c) In cases where the Buyer's remittance of any part of the Purchase Price is effected through a MT199 swift message (the "**MT199 Swift**"):
    - (i) the Sellers agree to release, discharge, defend, indemnify, waive and hold harmless the Buyers from and against any liability, obligation or claim which may be asserted, claimed or recovered against the Buyers for any reason directly arising out of or in any manner connected with the release or the failure to release (as the case may be) of the Purchase Price by the Sellers' bank except if the same solely results from or is a direct consequence of the
-

Buyers' failure to perform their obligations under or in breach of any provisions under this Agreement or the Bareboat Charter; and

- (ii) if for any reason any part of the Purchase Price paid to the Sellers' bank by the Buyers is neither released in accordance with the instructions set out in the MT199 Swift nor returned to the Buyers within the period set out in the MT199 Swift, the Sellers shall promptly refund to the Buyers that part of the Purchase Price.

**22. Delivery under Bareboat Charter**

- (a) Upon the delivery of the Vessel under this Agreement, the Vessel shall simultaneously be delivered to the Sellers (as charterers) pursuant to the Bareboat Charter.
- (b) The Sellers shall be fully responsible for the Buyers' fulfilment of physical delivery as new owner of the Vessel to the Sellers (as charterers) under the Bareboat Charter. The Buyers' obligation to take delivery of the Vessel under this Agreement is subject to the Sellers (as charterers) taking delivery of the Vessel simultaneously under the Bareboat Charter.
- (c) If the Bareboat Charter is cancelled or the delivery of the Vessel does not take place under the Bareboat Charter due to the Sellers' default, and without prejudice to any rights that the Buyers may have (including under the Bareboat Charter), this Agreement shall be null and void, provided however that Clauses 21(c), 23 to 27 shall survive and the Buyers shall be entitled to claim, without limitation, compensation for their losses and expenses due to the default of the Sellers.

**23. Indemnities**

- (a) The Sellers shall pay such amounts to the Buyers in respect of all claims, expenses, liabilities, losses, fees (including but not limited to any vessel registration and tonnage fees) suffered or incurred by or imposed on the Buyers arising from this Agreement or in connection with the delivery, registration and purchase of the Vessel by the Buyers whether prior to, during or after termination of this Agreement and whether or not the Vessel is in the possession or the control of the Sellers or otherwise in relation to any non-delivery to or acceptance by the Sellers of the Vessel under the Bareboat Charter.
- (b) Notwithstanding anything to the contrary herein, the indemnities provided by the Sellers in favour of the Buyers shall continue in full force and effect notwithstanding any breach of the terms of this Agreement or termination of this Agreement pursuant to the terms hereof.

**24. Governing Law**

This Agreement and any non-contractual obligations arising from or in connection with it shall be governed by and construed in accordance with English law.

**25. Arbitration**

- (a) Any dispute, controversy or claim arising out of or relating to this Agreement, including the existence, validity, interpretation, performance, breach or termination

thereof or any dispute regarding non-contractual obligations arising out of or relating to it shall be referred to and finally resolved by arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause 25.

- (b) The arbitration shall be conducted in accordance with the London Maritime Arbitration Association (LMAA) terms current at the time when arbitration proceedings are commenced.
- (c) The reference shall be to three (3) arbitrators. A Party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other Party requiring the other Party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other Party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other Party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the Party referring a dispute to arbitration may, without the requirement of any further prior notice to the other Party, appoint its own arbitrator as sole arbitrator and shall advise the other Party accordingly. The award of a sole arbitrator shall be binding on both Parties as if he had been appointed by agreement.
- (d) Nothing herein shall prevent the Parties agreeing in writing to vary these provisions to provide for the appointment of a sole arbitrator.
- (e) In cases where neither the claim nor any counterclaim exceeds the sum of US Dollars Fifty Thousand (US\$50,000) (or such other sum as the Parties may agree) the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

## 26. Notices

The provisions in clause 71 (*Notices*) of the Bareboat Charter apply to this Agreement as if they were expressly incorporated and set out in this Agreement with appropriate and necessary modifications.

## 27. Further definitions

In this Agreement, unless otherwise defined or the context requires otherwise, terms defined in the Bareboat Charter have the same meaning and construction when used in this Agreement. In addition:

“**Bareboat Charter**” means a bareboat charterparty dated on or about the date of this Agreement in respect of the Vessel made or to be made (as the case may be) between the Buyers (as owners) and the Sellers (as charterers).

“**Contract Price**” means the contract price of the Vessel under the Building Contract, being United States Dollars Two Hundred and Eleven Million Nine Hundred and Twenty Thousand (US\$211,920,000) (subject to adjustment under the Building Contract).

“**Delivery Date**” means the date of delivery of the Vessel by the Sellers to the Buyers pursuant to this Agreement.

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**“Restricted Party”** means a person or entity that is (i) listed on, or owned or controlled by a person listed on, or acting on behalf of a person listed on, any Sanctions List; (ii) a national of, located in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a person located in or organised under (A) Iraq, Iran or Venezuela or (B) the laws of a country or territory that is the target of country-wide or territory-wide Sanctions; or (iii) otherwise a target of Sanctions (“target of Sanctions” signifying a person with whom a US person or other national of Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities).

**“Sanctions”** means the economic sanction laws, regulations, embargoes or restrictive measures administered, enacted or enforced by: (i) the United States government; (ii) the United Nations; (iii) the European Union; (iv) the United Kingdom; (v) the People’s Republic of China or (vi) the respective governmental institutions and agencies of any of the foregoing, including, without limitation, the Office of Foreign Assets Control of the US Department of Treasury (“**OFAC**”), the United States Department of State and Her Majesty’s Treasury (“**HMT**”); (together, the “**Sanctions Authorities**”).

**“Sanctions List”** means the “Specially Designated Nationals and Blocked Persons” list maintained by the OFAC, the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by HMT, or any similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities.

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In witness of which the Parties have executed this Agreement on the \_\_\_\_ day of July 2018.

**SELLERS**

Signed by )  
as )  
for and on behalf of )  
**FLEX LNG RAINBOW** )  
**LIMITED** )  
in the presence of: )

Witness signature .....  
Name:  
Address:

**BUYERS**

Signed by )  
as duly **authorised signatory** )  
for and on behalf ) /s/  
[REDACTED] )  
[REDACTED] )  
in the presence of: )

Witness signature .....  
Name:  
Address: [REDACTED]



## MEMORANDUM OF AGREEMENT

Norwegian Shipbrokers' Association's  
 Memorandum of Agreement for sale and  
 purchase of ships. Adopted by BIMCO in 1956.  
 Code-name  
**SALEFORM 2012**  
 Revised 1966, 1983 and 1986/87, 1993 and 2012

Dated: 15 May 2017

**Constellation Inc., a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands (*Name of sellers*), hereinafter called the “Sellers”, have agreed to sell, and**

**FLEX LNG Constellation Limited, a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands (*Name of buyers*), hereinafter called the “Buyers”,**

have agreed to buy: **The Vessel with hull no. 2470 currently under construction at Daewoo Shipbuilding and Marine Engineering Co., Ltd.’s premises in Okbo, Geoje Island, South Korea**

Name of vessel: **To be named “FLEX Constellation”**

IMO Number: **TBA**

Classification Society: **DNV GL**

Class Notation: **+A1(E) Liquefied gas carrier, Ship type 2G (Membrane tank, Maximum pressure of 0.35 barg, Minimum temperature -163°C, Specific gravity 0.5), SH, SH-DLA, SHCM, SFA(40), CPS, +AMS, +ACCU1, +APS, NBLES, DFD, ENVIRO, IHM, BWT, TCM, UWILD, RW**

Year of Build: **As per Attachment A** Builder/Yard: **Daewoo Shipbuilding and Marine Engineering Co., Ltd.**

Flag: **Marshall Islands** Place of Registration: **N/A** GT/NT: **As per Attachment A/ \_\_\_\_\_**

hereinafter called the “Vessel”, on the following terms and conditions:

### Definitions

**“Attachment A” means the Specifications, the General Arrangement Plan and the Makers List as attached to this Agreement (see Clause 19)**

**“Banking Days” are days on which banks are open both in the country of the currency stipulated for the Purchase Price in Clause 1 (Purchase Price) and in the place of closing stipulated in Clause 8 (Documentation), and Norway and South Korea (*add additional jurisdictions as appropriate*).**

**“Buyers’ Nominated Flag State” means Marshall Islands (*state flag state*).**

"Class" means the class notation referred to above.

"Classification Society" means the Society referred to above.

"~~Deposit~~**Downpayment**" shall have the meaning given in Clause 2 (~~Deposit~~**Downpayment**)

"Deposit Holder" means \_\_\_\_\_ (*state name and location of Deposit Holder*) or, if left blank, the Sellers' Bank, which shall hold and release the Deposit in accordance with this Agreement.

"In writing" or "written" means a letter handed over from the Sellers to the Buyers or vice versa, a registered letter, e-mail or telefax.

"Parties" means the Sellers and the Buyers.

"Purchase Price" means the price for the Vessel as stated in Clause 1 (Purchase Price).

"Sellers' Account" means **the bank account notified by the Sellers to the Buyers for the receipt of the Downpayment and the balance of the Purchase Price** (*state details of bank account*) at the Sellers' bBank.

**"Shipbuilding Contract" means the shipbuilding contract for the construction of the Vessel entered into between the Builder and the Sellers on 28 February 2017. The Seller shall not make any major amendments to the Shipbuilding Contract without the prior consent from the Buyers ref. Clause 20.**

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“Sellers’ Bank” means \_\_\_\_\_ (state name of bank, branch and details) or, if left blank, the bank notified by the Sellers to the Buyers for receipt of the balance of the Purchase Price.

## 1. Purchase Price

The Purchase Price is **USD 180,000,000 (United States Dollars One Hundred and Eight Million)** (state currency and amount both in words and figures).

## 2. ~~Deposit~~Downpayment

As security for the correct fulfilment of this Agreement the Buyers shall ~~ledge a deposit~~**make a downpayment of 20% (twenty per cent) i.e. USD 36,000,000 (United States Dollars Thirty Six Million)** ~~or, if left blank, 10% (ten per cent),~~ of the Purchase Price (the “~~Deposit~~Downpayment”) to the Sellers’ Account ~~in an interest bearing account for the Parties with the Deposit Holder within three (3)~~

**Banking Days after the date that the private placement as announced by Flex LNG Ltd. on 26 April 2017 has been settled and fully paid. The Downpayment with interest at 3% p.a. shall be repaid in case the Buyers cancel this Agreement. :**

**As security for the Sellers’ obligation to repay the Downpayment in the event that this Agreement is canceled by the Buyers in accordance with the terms of this Agreement, the Sellers shall provide the Buyers with an irrevocable letter of guarantee issued by Seatankers Management Co. Ltd., in form and substance as annexed hereto as Attachment D at the time of signing of this Agreement.**

- (i) this Agreement has been signed by the Parties and exchanged in original or by e-mail or telefax; and
- (ii) the Deposit Holder has confirmed in writing to the Parties that the account has been opened.

The Deposit shall be released in accordance with joint written instructions of the Parties. Interest, if any, shall be credited to the Buyers. Any fee charged for holding and releasing the Deposit shall be borne equally by the Parties. The Parties shall provide to the Deposit Holder all necessary documentation to open and maintain the account without delay.

## 3. Payment

On delivery of the Vessel, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices):

- (i) the Deposit shall be released to the Sellers; and
- (ii) the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this Agreement shall be paid in full free of bank charges to the Sellers’ Account.

**Notwithstanding the above, the Buyers and the Sellers will work together to effect a simultaneous payment under this Agreement and the balance payment of the installment payable on delivery of the Vessel from the Builder to the Sellers, by use of the same funds if deemed practical by the Parties.**

## 4. Inspection

(a)\* The Buyers have inspected and accepted **Attachment A and the Buyers shall accept the Vessel upon the Vessels completion according to Attachment A** the Vessel's classification records. ~~The Buyers have also inspected the Vessel at/in \_\_\_\_\_ (state place) on \_\_\_\_\_ (state date) and have accepted the Vessel following this inspection and the sale is outright and definite, subject only to the terms and conditions of this Agreement.~~

(b)\* ~~The Buyers shall have the right to inspect the Vessel's classification records and declare whether same are accepted or not within \_\_\_\_\_ (state date/period).~~

~~The Sellers shall make the Vessel available for inspection at/in \_\_\_\_\_ (state place/range) within \_\_\_\_\_ (state date/period).~~

~~The Buyers shall undertake the inspection without undue delay to the Vessel. Should the Buyers cause undue delay they shall compensate the Sellers for the losses thereby incurred.~~

~~The Buyers shall inspect the Vessel without opening up and without cost to the Sellers.~~

~~During the inspection, the Vessel's deck and engine log books shall be made available for examination by the Buyers.~~

~~The sale shall become outright and definite, subject only to the terms and conditions of this~~

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Agreement, provided that the Sellers receive written notice of acceptance of the Vessel from the Buyers within seventy-two (72) hours after completion of such inspection or after the date/last day of the period stated in Line 59, whichever is earlier.

Should the Buyers fail to undertake the inspection as scheduled and/or notice of acceptance of the Vessel's classification records and/or of the Vessel not be received by the Sellers as aforesaid, the Deposit together with interest earned, if any, shall be released immediately to the Buyers, whereafter this Agreement shall be null and void.

*\*4(a) and 4(b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 4(a) shall apply.*

## 5. Time and place of delivery and notices

(a) The Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage at/in **Okbo, South Korea as per Attachment A** (*state place/range*) in the Sellers' option. **simultaneously with delivery from Builder to the Sellers. The agreed Notice of Readiness shall not be tendered before: \_\_\_\_\_ (date) Delivery Date as per the Shipbuilding Contract is 30 June 2019 ("Agreed Delivery Date"). The Builder has the right to deliver the Vessel to Buyers up to sixty (60) days earlier than the Agreed Delivery Date.**

Cancelling Date (see Clauses 5(c), 6 (a)(i), 6 (a) (iii) and 14): \_\_\_\_\_

(b) The Sellers shall keep the Buyers well informed of the Vessel's **construction progress and shall provide the Buyers with approximate notices of the date the Sellers intend to tender Notice of Readiness** itinerary and shall provide the Buyers with twenty (20), ten (10), five (5) and three (3) days' notice of the date the Sellers intend to tender Notice of Readiness and of the intended place of delivery.

When the Vessel is **completed in accordance with Attachment A** at the place of delivery and physically ready for delivery in accordance with this Agreement, the Sellers shall give the Buyers a written Notice of Readiness for delivery.

**If the Vessel is delayed and the Sellers receive liquidated damages due to delay under the Shipbuilding Contract, the Purchase Price shall be reduced accordingly with a corresponding amount (see Attachment C)**

**Cancelling Date (see Clauses 5(c) and 14): The Cancelling Date under this Agreement shall correspond with the cancelling date under the Shipbuilding Contract.**

(c) If the Sellers anticipate that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date they may notify the Buyers in writing stating the date when they anticipate that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyers shall have the option of either cancelling this Agreement in accordance with Clause 14 (Sellers' Default) within three (3) Banking Days of receipt of the notice or of accepting the new date as the new Cancelling Date. If the Buyers have not declared their option within three (3) Banking Days of receipt of the Sellers' notification or if the Buyers accept the new date, the date proposed in the Sellers' notification shall be deemed to be the new Cancelling Date and shall be substituted for the Cancelling Date stipulated in line 79.

If this Agreement is maintained with the new Cancelling Date all other terms and conditions hereof including those contained in Clauses 5(b) and 5(d) shall remain unaltered and in full force and effect.

(d) Cancellation, failure to cancel or acceptance of the new Cancelling Date shall be entirely without prejudice to any claim for damages the Buyers may have under Clause 14 (Sellers' Default) for the Vessel not being ready by the original Cancelling Date.

(e) Should the Vessel become an actual, constructive or compromised total loss before delivery the **Deposit-Downpayment** together with interest **as set out in line 34** earned, if any, shall be released immediately to the Buyers whereafter this Agreement shall be null and void.

## 6. Divers Inspection / Drydocking – N/A

(a)\*

(i) The Buyers shall have the option at their cost and expense to arrange for an underwater inspection by a diver approved by the Classification Society prior to the delivery of the Vessel. Such option shall be declared latest nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this

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Agreement. The Sellers shall at their cost and expense make the Vessel available for such inspection. This inspection shall be carried out without undue delay and in the presence of a Classification Society surveyor arranged for by the Sellers and paid for by the Buyers. The Buyers' representative(s) shall have the right to be present at the diver's inspection as observer(s) only without interfering with the work or decisions of the Classification Society surveyor. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the Classification Society. If the conditions at the place of delivery are unsuitable for such inspection, the Sellers shall at their cost and expense make the Vessel available at a suitable alternative place near to the delivery port, in which event the Cancelling Date shall be extended by the additional time required for such positioning and the subsequent re-positioning. The Sellers may not tender Notice of Readiness prior to completion of the underwater inspection.

(ii) If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, then (1) unless repairs can be carried out afloat to the satisfaction of the Classification Society, the Sellers shall arrange for the Vessel to be drydocked at their expense for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules (2) such defects shall be made good by the Sellers at their cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\* and (3) the Sellers shall pay for the underwater inspection and the Classification Society's attendance.

Notwithstanding anything to the contrary in this Agreement, if the Classification Society do not require the aforementioned defects to be rectified before the next class drydocking survey, the Sellers shall be entitled to deliver the Vessel with these defects against a deduction from the Purchase Price of the estimated direct cost (of labour and materials) of carrying out the repairs to the satisfaction of the Classification Society, whereafter the Buyers shall have no further rights whatsoever in respect of the defects and/or repairs. The estimated direct cost of the repairs shall be the average of quotes for the repair work obtained from two reputable independent shipyards at or in the vicinity of the port of delivery, one to be obtained by each of the Parties within two (2) Banking Days from the date of the imposition of the condition/recommendation, unless the Parties agree otherwise. Should either of the Parties fail to obtain such a quote within the stipulated time then the quote duly obtained by the other Party shall be the sole basis for the estimate of the direct repair costs. The Sellers may not tender Notice of Readiness prior to such estimate having been established.

(iii) If the Vessel is to be drydocked pursuant to Clause ~~6(a)(ii)~~ and no suitable dry-docking facilities are available at the port of delivery, the Sellers shall take the Vessel to a port where suitable drydocking facilities are available, whether within or outside the delivery range as per ~~Clause 5(a)~~. Once drydocking has taken place the Sellers shall deliver the Vessel at a port within the delivery range as per ~~Clause 5(a)~~ which shall, for the purpose of this Clause, become the new port of delivery. In such event the Cancelling Date shall be extended by the additional time required for the drydocking and extra steaming, but limited to a maximum of fourteen (14) days.

~~(b)\*~~ The Sellers shall place the Vessel in drydock at the port of delivery for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules. If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, such defects shall be made good at the Sellers' cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\*. In such event the Sellers are also to pay for the costs and expenses in connection with putting the Vessel in and taking her out of drydock, including the drydock dues and the Classification Society's fees. The Sellers shall also pay for these costs and expenses if parts of the tailshaft system are condemned or found defective or broken so as to affect the Vessel's class. In all other cases, the Buyers shall pay the aforesaid costs and expenses, dues and fees.

(c) If the Vessel is drydocked pursuant to Clause ~~6 (a)(ii) or 6 (b) above~~:

(i) The Classification Society may require survey of the tailshaft system, the extent of the survey being to the satisfaction of the Classification Society surveyor. If such survey is not required by the Classification Society, the Buyers shall have the option to require the tailshaft to be drawn and surveyed by the Classification Society, the extent of the survey being in accordance with the Classification Society's rules for tailshaft survey and consistent with the current stage of the Vessel's survey cycle. The Buyers shall declare

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whether they require the tailshaft to be drawn and surveyed not later than by the completion of the inspection by the Classification Society. The drawing and refitting of the tailshaft shall be arranged by the Sellers. Should any parts of the tailshaft system be condemned or found defective so as to affect the Vessel's class, those parts shall be renewed or made good at the Sellers' cost and expense to the satisfaction of Classification Society without condition/recommendation\*\*.

(ii) The costs and expenses relating to the survey of the tailshaft system shall be borne by the Buyers unless the Classification Society requires such survey to be carried out or if parts of the system are condemned or found defective or broken so as to affect the Vessel's class, in which case the Sellers shall pay these costs and expenses.

(iii) The Buyers' representative(s) shall have the right to be present in the drydock, as observer(s) only without interfering with the work or decisions of the Classification Society surveyor.

(iv) The Buyers shall have the right to have the underwater parts of the Vessel cleaned and painted at their risk, cost and expense without interfering with the Sellers' or the Classification Society surveyor's work, if any, and without affecting the Vessel's timely delivery. If, however, the Buyers' work in drydock is still in progress when the Sellers have completed the work which the Sellers are required to do, the additional docking time needed to complete the Buyers' work shall be for the Buyers' risk, cost and expense. In the event that the Buyers' work requires such additional time, the Sellers may upon completion of the Sellers' work tender Notice of Readiness for delivery whilst the Vessel is still in drydock and, notwithstanding Clause 5(a), the Buyers shall be obliged to take delivery in accordance with Clause 3 (Payment), whether the Vessel is in drydock or not.

*\*6 (a) and 6 (b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 6 (a) shall apply.*

*\*\*Notes or memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/ recommendation are not to be taken into account.*

## 7. Spares, bunkers and other items

The Sellers shall deliver the Vessel to the Buyers with everything belonging to her on board and on shore **as per Attachment A**. All spare parts and spare equipment including spare tail-end shaft(s) and/or spare propeller(s)/propeller blade(s), if any, ~~belonging to the Vessel at the time of inspection~~ **ordered separately by the Buyers during construction (i.e. not being part of the Specification)** used or unused, whether on board or not shall become the Buyers' property, ~~but together with spares on order are excluded~~ **shall be included in the sale and the Buyers shall pay the actual net price to the Sellers**. Forwarding charges, if any, shall be for the Buyers' account. The Sellers are not required to replace spare parts including spare tail-end shaft(s) and spare propeller(s)/propeller blade(s) which are taken out of spare and used as replacement prior to delivery, but the replaced items shall be the property of the Buyers. Unused stores and provisions shall be included in the sale and be taken over by the Buyers without extra payment.

Library and forms exclusively for use in the Sellers' vessel(s) and captain's, officers' and crew's personal belongings including the slop chest are excluded from the sale without compensation, as well as the following additional items: \_\_\_\_\_ *(include list)*

Items on board which are on hire or owned by third parties, listed as follows, are excluded from the sale without compensation:  
\_\_\_\_\_ *(include list)*

Items on board at the time of inspection which are on hire or owned by third parties, not listed above, shall be replaced or procured by the Sellers prior to delivery at their cost and expense.

The Buyers shall take over remaining bunkers and unused lubricating and hydraulic oils and greases in storage tanks and unopened drums **and fuel oil, LNG, other liquefied gases, fresh water or consumable stores which are on board the Vessel at the time of delivery** and pay either:

(a) \*the actual net price (excluding barging expenses) as evidenced by invoices or vouchers; or

(b) \*the current net market price (excluding barging expenses) at the port and date of delivery of the Vessel or, if unavailable, at the nearest bunkering port, for the quantities taken over.

Payment under this Clause shall be made at the same time and place and in the same currency as the Purchase Price.

"inspection" in this Clause 7, shall mean the Buyers' inspection according to Clause 4(a) or 4(b)



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(Inspection), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*(a) and (b) are alternatives, delete whichever is not applicable. In the absence of deletions alternative (a) shall apply.*

## 8. Documentation

The place of closing: **At the Builder's shipyard in Okpo, Geoje Island, South Korea or such other place as the Parties may agree**

- (a) In exchange for payment of the Purchase Price the Sellers shall provide the Buyers with the following delivery documents:
- (i) Legal Bill(s) of Sale in a form recordable in the Buyers' Nominated Flag State, transferring title of the Vessel and stating that the Vessel is free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, duly notarially attested and legalised or apostilled, as required by the Buyers' Nominated Flag State;
  - (ii) Evidence that all necessary corporate, shareholder and other action has been taken by the Sellers to authorise the execution, delivery and performance of this Agreement;
  - (iii) Power of Attorney of the Sellers appointing one or more representatives to act on behalf of the Sellers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate);
  - (iv) **Protocol of Delivery and Acceptance signed by the Builder and the Sellers, to be countersigned by the Buyers, and Builders' Certificate issued to the Sellers by the Builder, both duly notarially attested and legalized Certificate or Transcript of Registry issued by the competent authorities of the flag state on the date of delivery evidencing the Sellers' ownership of the Vessel and that the Vessel is free from registered encumbrances and mortgages, to be faxed or e-mailed by such authority to the closing meeting with the original to be sent to the Buyers as soon as possible after delivery of the Vessel;**
  - (v) **Class Certificates in form as required to be delivered by the Builder to the Sellers as per Attachment A Declaration of Class or (depending on the Classification Society) a Class Maintenance Certificate issued within three (3) Banking Days prior to delivery confirming that the Vessel is in Class free of condition/recommendation;**
  - (vi) **A statement from the Sellers in a form acceptable to the Buyers' nominated ship registry, stating that the Vessel has never been registered in any ship registry. Certificate of Deletion of the Vessel from the Vessel's registry or other official evidence of deletion appropriate to the Vessel's registry at the time of delivery, or, in the event that the registry does not as a matter of practice issue such documentation immediately, a written undertaking by the Sellers to effect deletion from the Vessel's registry forthwith and provide a certificate or other official evidence of deletion to the Buyers promptly and latest within four (4) weeks after the Purchase Price has been paid and the Vessel has been delivered;**
  - (vii) ~~A copy of the Vessel's Continuous Synopsis Record certifying the date on which the Vessel ceased to be registered with the Vessel's registry, or, in the event that the registry does not as a matter of practice issue such certificate immediately, a written undertaking from the Sellers to provide the copy of this certificate promptly upon it being issued together with evidence of submission by the Sellers of a duly executed Form 2 stating the date on which the Vessel shall cease to be registered with the Vessel's registry;~~
  - (viii) Commercial Invoice for the Vessel;
  - (ix) Commercial Invoice(s) for bunkers, lubricating and hydraulic oils and greases;
  - (x) ~~A copy of the Sellers' letter to their satellite communication provider cancelling the Vessel's communications contract which is to be sent immediately after delivery of the Vessel;~~
  - (xi) Any additional documents **as listed in Attachment A and/or** as may reasonably be required by the competent authorities of the Buyers' Nominated Flag State for the purpose of registering the Vessel, provided the Buyers notify the Sellers of any such documents as soon as possible after the date of this Agreement; and
  - (xii) ~~The Sellers' letter of confirmation that to the best of their knowledge, the Vessel is not~~

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~~black listed by any nation or international organisation.~~

(xiii) **A copy of the sea trial results duly approved by the Classification Society as per Attachment A**

(xiv) **An assignment in favour of the Buyers assigning all warranties of the Builder towards the Sellers (such warranty is attached to this Agreement in Attachment B) and also an assignment of any warranty or service or spare part arrangement that a maker or subcontractor has provided to the Sellers directly.**

(b) At the time of delivery the Buyers shall provide the Sellers with:

(i) Evidence that all necessary corporate, shareholder and other action has been taken by the Buyers to authorise the execution, delivery and performance of this Agreement; and

(ii) Power of Attorney of the Buyers appointing one or more representatives to act on behalf of the Buyers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate).

(c) If any of the documents listed in Sub-clauses (a) and (b) above are not in the English language they shall be accompanied by an English translation by an authorised translator or certified by a lawyer qualified to practice in the country of the translated language.

(d) The Parties shall to the extent possible exchange copies, drafts or samples of the documents listed in Sub-clause (a) and Sub-clause (b) above for review and comment by the other party not later than **3 days** (~~state number of days~~), or if left blank, ~~nine (9) days~~ prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement.

(e) Concurrent with the exchange of documents in Sub-clause (a) and Sub-clause (b) above, the Sellers shall also hand to the Buyers the classification certificate(s) as well as all plans, drawings and manuals, (excluding ISM/ISPS manuals), which are on board the Vessel. Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers have the right to take copies.

(f) Other technical documentation which may be in the Sellers' possession shall promptly after delivery be forwarded to the Buyers at their expense, if they so request. ~~The Sellers may keep the Vessel's log books but the Buyers have the right to take copies of same.~~

(g) The Parties shall sign and deliver to each other a Protocol of Delivery and Acceptance confirming the date and time of delivery of the Vessel from the Sellers to the Buyers.

## **9. Encumbrances**

The Sellers warrant that the Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts whatsoever, and is not subject to Port State or other administrative detentions. The Sellers hereby undertake to indemnify the Buyers against all consequences of claims made against the Vessel which have been incurred prior to the time of delivery.

## **10. Taxes, fees and expenses**

Any taxes, fees and expenses in connection with the purchase and registration in the Buyers' Nominated Flag State shall be for the Buyers' account, ~~whereas similar charges in connection with the closing of the Sellers' register shall be for the Sellers' account.~~

## **11. Condition on delivery**

The Vessel with everything belonging to her shall be at the Sellers' risk and expense until she is delivered to the Buyers, but subject to the terms and conditions of this Agreement she shall be delivered and taken over as **per Attachment A with new Class certificates, free of damage affecting the Vessel's Class and with her Class and national certificates valid and duly executed without condition/recommendation by the relevant authorities at the time of delivery.**

**Notwithstanding the above, the Buyers shall be required to accept the Vessel if the Sellers is required to accept the Vessel and take delivery of the Vessel from the Builder pursuant to the Shipbuilding Contract. As such;**

**The Buyers shall not unreasonably reject the Vessel because of minor or insubstantial defect or non-conformity judged from the viewpoint of generally accepted good shipbuilding practice which do not result in condition/recommendation from Class, do not affect the seaworthiness of the**

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Vessel and which do not adversely affect the trading of the Vessel, provided that the Buyers, the Sellers and the Builder have agreed in writing that a time schedule following delivery of the Vessel within such non-conformities will be corrected by the Builder.

Notwithstanding the above, the Buyers shall not be entitled to refuse delivery by reason only of a deficiency in the Vessel's guaranteed speed and/or fuel consumption and/or the guaranteed cargo capacity and/or the guaranteed boil-off rate, unless the Sellers in its capacity as buyers under the Shipbuilding Contract is entitled to reject delivery vis-a-vis the Builder. If any such deficiencies exceeds limits, the Buyers' shall be entitled to deduct from the Purchase Price such amounts as the Sellers is entitled to deduct from the contract price under the Shipbuilding Contract vis-a-vis the Builder. An extract of the guaranteed speed, fuel consumption, guaranteed cargo capacity and boil-off rate provision under the Shipbuilding Contract is attached to this Agreement in Attachment C.

After completion of sea trials and the gas trials (as per the Shipbuilding Contract) and receipt by the Buyers of a copy of the Builders notice for delivery, the Buyers shall, within 1 day after receipt of such notice, notify the Sellers of its intended acceptance or rejection of the Vessel on the basis of its conformity with the requirements of Attachment A.

she was at the time of inspection, fair wear and tear excepted.

However, the Vessel shall be delivered free of cargo and free of stowaways with her Class maintained without condition/recommendation\*, free of average damage affecting the Vessel's class, and with her classification certificates and national certificates, as well as all other certificates the Vessel had at the time of inspection, valid and unextended without condition/recommendation\* by the Classification Society or the relevant authorities at the time of delivery.

"inspection" in this Clause 11, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspections), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*Notes and memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/recommendation are not to be taken into account.*

## 12. Name/markings

The Vessel shall be delivered by the Sellers to the Buyers with the Buyers' name and funnel marking. Upon delivery the Buyers undertake to change the name of the Vessel and alter funnel markings.

## 13. Buyers' default

Should the ~~Deposit~~ **Downpayment** not be lodged ~~paid~~ in accordance with Clause 2 (~~Deposit~~ **Downpayment**), the Sellers have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest.

Should the Purchase Price not be paid in accordance with Clause 3 (Payment), the Sellers have the right to cancel this Agreement, in which case the ~~Deposit~~ together with interest earned, if any, shall be released to the Sellers. If the ~~Deposit~~ does not cover their loss, the Sellers shall be entitled to claim further compensation for their losses and for all expenses incurred together with interest **due to Buyers' proven breach. The Sellers shall have a right to deduct from the Downpayment all such claims for compensation as they are entitled to pursuant to this Clause 13. After the Sellers have made such deductions, the Sellers shall return the balance of the Downpayment to the Buyers.**

## 14. Sellers' default

Should the Sellers fail to give Notice of Readiness in accordance with Clause 5(b) or fail to be ready to validly complete a legal transfer by the Cancelling Date the Buyers shall have the option of cancelling this Agreement. If after Notice of Readiness has been given but before the Buyers have taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and new Notice of Readiness given, the Buyers shall retain their option to cancel **subject to Clause 5c above**. In the event that the Buyers elect to cancel this Agreement, the ~~Deposit~~ **Downpayment** together with interest earned, ~~if any~~ **as set out in line 34**, shall be ~~refunded~~ released to them

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immediately.

Should the Sellers fail to give Notice of Readiness by the Cancelling Date or fail to be ready to validly complete a legal transfer as aforesaid they shall **be obliged to release the Downpayment including interest thereon to the Buyers, but otherwise not have any obligations towards the Buyers.** ~~make due compensation to the Buyers for their loss and for all expenses together with interest if their failure is due to proven negligence and whether or not the Buyers cancel this Agreement.~~

## 15. Buyers' representatives

After this Agreement has been signed by the Parties and the ~~Deposit-Downpayment~~ has been ~~ledged~~paid, the Buyers shall at any time thereafter have the right to visit the Yard and inspect the work in progress and have the right to place two (2) representatives on ~~site~~board the Vessel at their sole risk and expense to work with and cooperate with the existing site management team. The Buyers' representatives shall have customary access to the Vessel, the Yard facilities and relevant shipbuilding documents and drawings as per customary practice and have the right to be present at all inspections, tests and sea trials and sea trial results.

The Sellers shall keep the Buyers well informed of any upcoming milestones and of any inspections and tests both at the Yard and with respect to subcontractors work, to ensure that the Buyers is able to attend the same. The Buyers shall attend as observers only, shall not interfere or obstruct the construction process and shall comply with the Sellers site managers instruction.

The Sellers shall make available customary office space at the Yard for the Buyers' representatives if the Buyers so request. The Sellers shall make available for the Buyers review all correspondence, notices and other documents related to technical (as opposed to commercial) matters under construction process and shall provide copies of the same upon the Buyers request.

~~These representatives are on board for the purpose of familiarisation and in the capacity of observers only, and they shall not interfere in any respect with the operation of the Vessel. The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation.~~

## 16. Law and Arbitration

(a) \*This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.

The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both Parties as if the sole arbitrator had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$100,000 the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

~~(b) \*This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the substantive law (not including the choice of law rules) of the State of New York and any dispute arising out of or in connection with this Agreement shall be referred to three (3) persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the~~

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~~Society of Maritime Arbitrators, Inc.~~

~~In cases where neither the claim nor any counterclaim exceeds the sum of US\$ 100,000 the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc.~~

~~(e) This Agreement shall be governed by and construed in accordance with the laws of \_\_\_\_\_ (state place) and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at \_\_\_\_\_ (state place), subject to the procedures applicable there.~~

~~\*16(a), 16(b) and 16(c) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 16(a) shall apply.~~

## **17. Notices**

All notices to be provided under this Agreement shall be in writing.

Contact details for recipients of notices are as follows:

For the Buyers: **FLEX LNG Constellation Limited**

**c/o FLEX LNG Management Limited  
4th Floor  
15 Sloane Square  
London**

**Attention: James Clarke  
Email: James.Clarke@flexlng.com**

For the Sellers: **Constellation Inc.,**

**c/o Seatankers Management Company Ltd.  
P.O. Box 53562,  
CY-3399 Limassol,  
Cyprus**

**(Deanna Beach Apartments, Block 1, 4th Floor,  
Promachon Eleftherias Street, Ayios Athanasios,  
CY-4013 Limassol,  
Cyprus)**

**Attention: Spyros Episkopou  
Telephone: +357 25 858 300  
Email: spyros.episkopou@seatankers.com.cy**

## **18. Entire Agreement**

The written terms of this Agreement comprise the entire agreement between the Buyers and the Sellers in relation to the sale and purchase of the Vessel and supersede all previous agreements whether oral or written between the Parties in relation thereto.

Each of the Parties acknowledges that in entering into this Agreement it has not relied on and shall have no right or remedy in respect of any statement, representation, assurance or warranty (whether or not made negligently) other than as is expressly set out in this Agreement.

Any terms implied into this Agreement by any applicable statute or law are hereby excluded to the extent that such exclusion can legally be made. Nothing in this Clause shall limit or exclude any liability for fraud.

## **19. Attachment A**

**Attachment A enclosed hereto constitute the full and complete specifications for the Vessel (Ref. No. H2470-FS-R0) dated February 21, 2017 (the “Specifications”), the General Arrangement Plan (DWG. No. BPD-SEA-101-001 Rev. A) dated February 21, 2017 (the “Plan”) and the suppliers list (Ref. No. H2470-SL-R0) dated February 21, 2017 (the “Suppliers List”) and forms and integral part of this Agreement.**

**20. Modifications, changes and extras**

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**The Sellers shall not agree to any major amendments, modifications or changes to the Specifications, the Plan and/or the Makers List without the Buyers' prior written consent.**

**Minor modifications or changes to the Specifications, the Plan and the Makers List may be requested by the Buyers substantially on the terms set out in the Shipbuilding Contract and the Sellers shall take the necessary action to request such changes from the Builder. The Sellers agreement with the Builder in respect of any such changes or modifications in respect of which the Builder requires a change in the contract price, delivery date, Specifications or other terms of the Shipbuilding Contract after the date of this Agreement shall be conditional upon the Buyers agreeing to a co-extensive change of such terms in this Agreement.**

**In the event of any changes in rules and regulations as described in the Shipbuilding Contract, the Sellers shall cover the costs related to any such changes of which notice was given by Class or the relevant authority to the Sellers or the Builder prior to the date of this Agreement and the Buyers shall cover the costs related to any such changes of which notice was given after the date of this Agreement.**

**21. Termination of the Shipbuilding Contract**

**Should the Sellers be entitled to cancel the Shipbuilding Contract before delivery then they will inform the Buyers without delay and both Parties will then jointly decide how to progress with the situation at hand. The Sellers will not cancel the Shipbuilding Contract without prior consent of Buyers, such consent not to be unreasonably withheld.**

**22. Parent Company Guarantee**

**At the time of signing of this Agreement, the Buyers shall provide the Sellers with a performance guarantee in such form as attached hereto in Attachment E, duly executed by the Buyers ultimate parent company, Flex LNG Ltd. (the "Guarantee").**

**The Guarantee shall apply in respect of all obligations assumed by the Buyers under this Agreement, but shall in all circumstances be limited to the Contract Price plus accrued interest as applicable.**

For and on behalf of the Sellers

/s/ Spyros Episkopou  
Name: Spyros Episkopou  
Title: Director

For and on behalf of the Buyers

/s/ James Clarke  
Name: James Clarke  
Title: Attorney-in-fact

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## MEMORANDUM OF AGREEMENT

Norwegian Shipbrokers' Association's  
Memorandum of Agreement for sale and  
purchase of ships. Adopted by BIMCO in 1956.  
Code-name  
**SALEFORM 2012**  
Revised 1966, 1983 and 1986/87, 1993 and 2012

Dated: **15 May 2017**

**Courageous Inc.**, a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands (*Name of sellers*), hereinafter called the "Sellers", have agreed to sell, and

**FLEX LNG Courageous Limited**, a corporation organized and existing under the laws Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands (*Name of buyers*), hereinafter called the "Buyers",

have agreed to buy: **The Vessel with hull no. 2471 currently under construction at Daewoo Shipbuilding and Marine Engineering Co., Ltd.'s premises in Okbo, Geoje Island, South Korea**

Name of vessel: **To be named "FLEX Courageous"**

IMO Number: **TBA**

Classification Society: **DNV GL**

Class Notation: **+A1(E) Liquefied gas carrier, Ship type 2G (Membrane tank, Maximum pressure of 0.35 barg, Minimum temperature -163°C, Specific gravity 0.5), SH, SH-DLA, SHCM, SFA(40), CPS, +AMS, +ACCU1, +APS, NBLES, DFD, ENVIRO, IHM, BWT, TCM, UWILD, RW**

Year of Build: **As per Attachment A** Builder/Yard: **Daewoo Shipbuilding and Marine Engineering Co., Ltd.**

Flag: **Marshall Islands** Place of Registration: **N/A** GT/NT: **As per Attachment A/\_\_\_\_\_**

hereinafter called the "Vessel", on the following terms and conditions:

### Definitions

**"Attachment A" means the Specifications, the General Arrangement Plan and the Makers List as attached to this Agreement (see Clause 19)**

**"Banking Days"** are days on which banks are open both in the country of the currency stipulated for the Purchase Price in Clause 1 (Purchase Price) and in the place of closing stipulated in Clause 8 (Documentation), ~~and Norway and South Korea~~ (*add additional jurisdictions as appropriate*).

**"Buyers' Nominated Flag State"** means **Marshall Islands** (*state flag state*).

**"Class"** means the class notation referred to above.

"Classification Society" means the Society referred to above.

"~~Deposit~~**Downpayment**" shall have the meaning given in Clause 2 (~~Deposit~~**Downpayment**)

"~~Deposit Holder~~" means \_\_\_\_\_ *(state name and location of Deposit Holder)* or, if left blank, the Sellers' Bank, which shall hold and release the ~~Deposit~~ in accordance with this Agreement.

"In writing" or "written" means a letter handed over from the Sellers to the Buyers or vice versa, a registered letter, e-mail or telefax.

"Parties" means the Sellers and the Buyers.

"Purchase Price" means the price for the Vessel as stated in Clause 1 (Purchase Price).

"Sellers' Account" means **the bank account notified by the Sellers to the Buyers for the receipt of the Downpayment and the balance of the Purchase Price** *(state details of bank account)* at the Sellers' ~~b~~Bank.

**"Shipbuilding Contract" means the shipbuilding contract for the construction of the Vessel entered into between the Builder and the Sellers on 28 February 2017. The Sellers shall not make any major amendments to the Shipbuilding Contract without the prior consent from the Buyers ref. Clause 20.**

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“Sellers’ Bank” means \_\_\_\_\_ (state name of bank, branch and details) or, if left blank, the bank notified by the Sellers to the Buyers for receipt of the balance of the Purchase Price.

### 1. Purchase Price

The Purchase Price is **USD 180,000,000 (United States Dollars One Hundred and Eight Million)** (state currency and amount both in words and figures).

### 2. Deposit Downpayment

As security for the correct fulfilment of this Agreement the Buyers shall ~~ledge a deposit~~ **make a downpayment of 20% (twenty per cent) i.e. USD 36,000,000 (United States Dollars Thirty Six Million)** ~~or, if left blank, 10% (ten per cent),~~ of the Purchase Price (the “**Deposit Downpayment**”) ~~to the Sellers’ Account in an interest bearing account for the Parties with the Deposit Holder within three (3) Banking Days after the date that the private placement as announced by Flex LNG Ltd. on 26 April 2017 has been settled and fully paid. The Downpayment with interest at 3% p.a. shall be repaid in case the Buyers cancel this Agreement. :~~

**As security for the Sellers’ obligation to repay the Downpayment in the event that this Agreement is canceled by the Buyers in accordance with the terms of this Agreement, the Sellers shall provide Buyers with an irrevocable letter of guarantee issued by Seatankers Management Co. Ltd., in form and substance as annexed hereto as Attachment D at the time of signing of this Agreement.**

- (i) ~~this Agreement has been signed by the Parties and exchanged in original or by e-mail or telefax; and~~
- (ii) ~~the Deposit Holder has confirmed in writing to the Parties that the account has been opened.~~

~~The Deposit shall be released in accordance with joint written instructions of the Parties. Interest, if any, shall be credited to the Buyers. Any fee charged for holding and releasing the Deposit shall be borne equally by the Parties. The Parties shall provide to the Deposit Holder all necessary documentation to open and maintain the account without delay.~~

### 3. Payment

On delivery of the Vessel, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices):

- (i) ~~the Deposit shall be released to the Sellers; and~~
- (ii) ~~the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this Agreement shall be paid in full free of bank charges to the Sellers’ Account.~~

**Notwithstanding the above, the Buyers and the Sellers will work together to effect a simultaneous payment under this Agreement and the balance payment of the installment payable on delivery of the Vessel from the Builder to the Sellers, by use of the same funds if deemed practical by the Parties.**

### 4. Inspection

(a)\* ~~The Buyers have inspected and accepted Attachment A and the Buyers shall accept the Vessel upon the Vessels completion according to Attachment A the Vessel's classification records. The Buyers have also inspected the Vessel at/in \_\_\_\_\_ (state place) on \_\_\_\_\_ (state date) and have accepted the Vessel following this inspection and the sale is outright and definite, subject only to the terms and conditions of this Agreement.~~

(b)\* ~~The Buyers shall have the right to inspect the Vessel's classification records and declare whether same are accepted or not within \_\_\_\_\_ (state date/period).~~

~~The Sellers shall make the Vessel available for inspection at/in \_\_\_\_\_ (state place/range) within \_\_\_\_\_ (state date/period).~~

~~The Buyers shall undertake the inspection without undue delay to the Vessel. Should the Buyers cause undue delay they shall compensate the Sellers for the losses thereby incurred.~~

~~The Buyers shall inspect the Vessel without opening up and without cost to the Sellers.~~

~~During the inspection, the Vessel's deck and engine log books shall be made available for examination by the Buyers.~~

~~The sale shall become outright and definite, subject only to the terms and conditions of this~~

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Agreement, provided that the Sellers receive written notice of acceptance of the Vessel from the Buyers within seventy-two (72) hours after completion of such inspection or after the date/last day of the period stated in Line 59, whichever is earlier.

Should the Buyers fail to undertake the inspection as scheduled and/or notice of acceptance of the Vessel's classification records and/or of the Vessel not be received by the Sellers as aforesaid, the Deposit together with interest earned, if any, shall be released immediately to the Buyers, whereafter this Agreement shall be null and void.

*\*4(a) and 4(b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 4(a) shall apply.*

## 5. Time and place of delivery and notices

(a) The Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage at/in **Okbo, South Korea as per Attachment A (state place/range) in the Sellers' option simultaneously with delivery from Builder to the Sellers. The agreed Notice of Readiness shall not be tendered before: \_\_\_\_\_ (date) Delivery Date as per the Shipbuilding Contract is 31 August 2019 ("Agreed Delivery Date"). The Builder has the right to deliver the Vessel to the Buyers up to sixty (60) days earlier than the Agreed Delivery Date.**

Cancelling Date (see Clauses 5(c), 6 (a)(i), 6 (a) (iii) and 14): \_\_\_\_\_

(b) The Sellers shall keep the Buyers well informed of the Vessel's **construction progress and shall provide the Buyers with approximate notices of the date the Sellers intend to tender Notice of Readiness** itinerary and shall provide the Buyers with twenty (20), ten (10), five (5) and three (3) days' notice of the date the Sellers intend to tender Notice of Readiness and of the intended place of delivery.

When the Vessel is **completed in accordance with Attachment A** at the place of delivery and physically ready for delivery in accordance with this Agreement, the Sellers shall give the Buyers a written Notice of Readiness for delivery.

**If the Vessel is delayed and the Sellers receive liquidated damages due to delay under the Shipbuilding Contract, the Purchase Price shall be reduced accordingly with a corresponding amount (see Attachment C)**

**Cancelling Date (see Clauses 5(c) and 14): The Cancelling Date under this Agreement shall correspond with the cancelling date under the Shipbuilding Contract.**

(c) If the Sellers anticipate that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date they may notify the Buyers in writing stating the date when they anticipate that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyers shall have the option of either cancelling this Agreement in accordance with Clause 14 (Sellers' Default) within three (3) Banking Days of receipt of the notice or of accepting the new date as the new Cancelling Date. If the Buyers have not declared their option within three (3) Banking Days of receipt of the Sellers' notification or if the Buyers accept the new date, the date proposed in the Sellers' notification shall be deemed to be the new Cancelling Date and shall be substituted for the Cancelling Date stipulated in line 79.

If this Agreement is maintained with the new Cancelling Date all other terms and conditions hereof including those contained in Clauses 5(b) and 5(d) shall remain unaltered and in full force and effect.

(d) Cancellation, failure to cancel or acceptance of the new Cancelling Date shall be entirely without prejudice to any claim for damages the Buyers may have under Clause 14 (Sellers' Default) for the Vessel not being ready by the original Cancelling Date.

(e) Should the Vessel become an actual, constructive or compromised total loss before delivery the **Deposit-Downpayment** together with interest **as set out in line 34** earned, if any, shall be released immediately to the Buyers whereafter this Agreement shall be null and void.

## 6. Divers Inspection / Drydocking – N/A

(a)\*

(i) ~~The Buyers shall have the option at their cost and expense to arrange for an underwater inspection by a diver approved by the Classification Society prior to the delivery of the Vessel. Such option shall be declared latest nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this~~

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Agreement. The Sellers shall at their cost and expense make the Vessel available for such inspection. This inspection shall be carried out without undue delay and in the presence of a Classification Society surveyor arranged for by the Sellers and paid for by the Buyers. The Buyers' representative(s) shall have the right to be present at the diver's inspection as observer(s) only without interfering with the work or decisions of the Classification Society surveyor. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the Classification Society. If the conditions at the place of delivery are unsuitable for such inspection, the Sellers shall at their cost and expense make the Vessel available at a suitable alternative place near to the delivery port, in which event the Cancelling Date shall be extended by the additional time required for such positioning and the subsequent re-positioning. The Sellers may not tender Notice of Readiness prior to completion of the underwater inspection.

(ii) If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, then (1) unless repairs can be carried out afloat to the satisfaction of the Classification Society, the Sellers shall arrange for the Vessel to be drydocked at their expense for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules (2) such defects shall be made good by the Sellers at their cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\* and (3) the Sellers shall pay for the underwater inspection and the Classification Society's attendance.

Notwithstanding anything to the contrary in this Agreement, if the Classification Society do not require the aforementioned defects to be rectified before the next class drydocking survey, the Sellers shall be entitled to deliver the Vessel with these defects against a deduction from the Purchase Price of the estimated direct cost (of labour and materials) of carrying out the repairs to the satisfaction of the Classification Society, whereafter the Buyers shall have no further rights whatsoever in respect of the defects and/or repairs. The estimated direct cost of the repairs shall be the average of quotes for the repair work obtained from two reputable independent shipyards at or in the vicinity of the port of delivery, one to be obtained by each of the Parties within two (2) Banking Days from the date of the imposition of the condition/recommendation, unless the Parties agree otherwise. Should either of the Parties fail to obtain such a quote within the stipulated time then the quote duly obtained by the other Party shall be the sole basis for the estimate of the direct repair costs. The Sellers may not tender Notice of Readiness prior to such estimate having been established.

(iii) If the Vessel is to be drydocked pursuant to Clause 6(a)(ii) and no suitable dry-docking facilities are available at the port of delivery, the Sellers shall take the Vessel to a port where suitable drydocking facilities are available, whether within or outside the delivery range as per Clause 5(a). Once drydocking has taken place the Sellers shall deliver the Vessel at a port within the delivery range as per Clause 5(a) which shall, for the purpose of this Clause, become the new port of delivery. In such event the Cancelling Date shall be extended by the additional time required for the drydocking and extra steaming, but limited to a maximum of fourteen (14) days.

(b)\* The Sellers shall place the Vessel in drydock at the port of delivery for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules. If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, such defects shall be made good at the Sellers' cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\*. In such event the Sellers are also to pay for the costs and expenses in connection with putting the Vessel in and taking her out of drydock, including the drydock dues and the Classification Society's fees. The Sellers shall also pay for these costs and expenses if parts of the tailshaft system are condemned or found defective or broken so as to affect the Vessel's class. In all other cases, the Buyers shall pay the aforesaid costs and expenses, dues and fees.

(c) If the Vessel is drydocked pursuant to Clause 6 (a)(ii) or 6 (b) above:

(i) The Classification Society may require survey of the tailshaft system, the extent of the survey being to the satisfaction of the Classification Society surveyor. If such survey is not required by the Classification Society, the Buyers shall have the option to require the tailshaft to be drawn and surveyed by the Classification Society, the extent of the survey being in accordance with the Classification Society's rules for tailshaft survey and consistent with the current stage of the Vessel's survey cycle. The Buyers shall declare

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whether they require the tailshaft to be drawn and surveyed not later than by the completion of the inspection by the Classification Society. The drawing and refitting of the tailshaft shall be arranged by the Sellers. Should any parts of the tailshaft system be condemned or found defective so as to affect the Vessel's class, those parts shall be renewed or made good at the Sellers' cost and expense to the satisfaction of Classification Society without condition/recommendation\*\*.

(ii) The costs and expenses relating to the survey of the tailshaft system shall be borne by the Buyers unless the Classification Society requires such survey to be carried out or if parts of the system are condemned or found defective or broken so as to affect the Vessel's class, in which case the Sellers shall pay these costs and expenses.

(iii) The Buyers' representative(s) shall have the right to be present in the drydock, as observer(s) only without interfering with the work or decisions of the Classification Society surveyor.

(iv) The Buyers shall have the right to have the underwater parts of the Vessel cleaned and painted at their risk, cost and expense without interfering with the Sellers' or the Classification Society surveyor's work, if any, and without affecting the Vessel's timely delivery. If, however, the Buyers' work in drydock is still in progress when the Sellers have completed the work which the Sellers are required to do, the additional docking time needed to complete the Buyers' work shall be for the Buyers' risk, cost and expense. In the event that the Buyers' work requires such additional time, the Sellers may upon completion of the Sellers' work tender Notice of Readiness for delivery whilst the Vessel is still in drydock and, notwithstanding ~~Clause 5(a)~~, the Buyers shall be obliged to take delivery in accordance with Clause 3 (Payment), whether the Vessel is in drydock or not.

*\*6 (a) and 6 (b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 6 (a) shall apply.*

*\*\*Notes or memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/ recommendation are not to be taken into account.*

## 7. Spares, bunkers and other items

The Sellers shall deliver the Vessel to the Buyers with everything belonging to her on board and on shore **as per Attachment A**. All spare parts and spare equipment including spare tail-end shaft(s) and/or spare propeller(s)/propeller blade(s), if any, ~~belonging to the Vessel at the time of inspection~~ **ordered separately by the Buyers during construction (i.e. not being part of the Specification)** used or unused, whether on board or not shall become the Buyers' property, ~~but together with spares on order are excluded shall be included in the sale and the Buyers shall pay the actual net price to the Sellers.~~ Forwarding charges, if any, shall be for the Buyers' account. The Sellers are not required to replace spare parts including spare tail-end shaft(s) and spare propeller(s)/propeller blade(s) which are taken out of spare and used as replacement prior to delivery, but the replaced items shall be the property of the Buyers. Unused stores and provisions shall be included in the sale and be taken over by the Buyers without extra payment.

Library and forms exclusively for use in the Sellers' vessel(s) and captain's, officers' and crew's personal belongings including the slop chest are excluded from the sale without compensation, as well as the following additional items: \_\_\_\_\_ (include list)

Items on board which are on hire or owned by third parties, listed as follows, are excluded from the sale without compensation: \_\_\_\_\_ (include list)

Items on board at the time of inspection which are on hire or owned by third parties, not listed above, shall be replaced or procured by the Sellers prior to delivery at their cost and expense.

The Buyers shall take over remaining bunkers and unused lubricating and hydraulic oils and greases in storage tanks and unopened drums **and fuel oil, LNG, other liquefied gases, fresh water or consumable stores which are on board the Vessel at the time of delivery** and pay either:

(a) \*the actual net price (excluding barging expenses) as evidenced by invoices or vouchers; or

(b) \*the current net market price (excluding barging expenses) at the port and date of delivery of the Vessel or, if unavailable, at the nearest bunkering port,

for the quantities taken over.

Payment under this Clause shall be made at the same time and place and in the same currency as the Purchase Price.

~~"inspection" in this Clause 7, shall mean the Buyers' inspection according to Clause 4(a) or 4(b)~~

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(Inspection), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*(a) and (b) are alternatives, delete whichever is not applicable. In the absence of deletions alternative (a) shall apply.*

## 8. Documentation

The place of closing: **At the Builder's shipyard in Okpo, Geoje Island, South Korea or such other place as the Parties may agree**

- (a) In exchange for payment of the Purchase Price the Sellers shall provide the Buyers with the following delivery documents:
- (i) Legal Bill(s) of Sale in a form recordable in the Buyers' Nominated Flag State, transferring title of the Vessel and stating that the Vessel is free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, duly notarially attested and legalised or apostilled, as required by the Buyers' Nominated Flag State;
  - (ii) Evidence that all necessary corporate, shareholder and other action has been taken by the Sellers to authorise the execution, delivery and performance of this Agreement;
  - (iii) Power of Attorney of the Sellers appointing one or more representatives to act on behalf of the Sellers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate);
  - (iv) **Protocol of Delivery and Acceptance signed by the Builder and the Sellers, to be countersigned by the Buyers, and Builders' Certificate issued to the Sellers by the Builder, both duly notarially attested and legalized Certificate or Transcript of Registry issued by the competent authorities of the flag state on the date of delivery evidencing the Sellers' ownership of the Vessel and that the Vessel is free from registered encumbrances and mortgages, to be faxed or e-mailed by such authority to the closing meeting with the original to be sent to the Buyers as soon as possible after delivery of the Vessel;**
  - (v) **Class Certificates in form as required to be delivered by the Builder to the Sellers as per Attachment A Declaration of Class or (depending on the Classification Society) a Class Maintenance Certificate issued within three (3) Banking Days prior to delivery confirming that the Vessel is in Class free of condition/recommendation;**
  - (vi) **A statement from the Sellers in a form acceptable to the Buyers' nominated ship registry, stating that the Vessel has never been registered in any ship registry. Certificate of Deletion of the Vessel from the Vessel's registry or other official evidence of deletion appropriate to the Vessel's registry at the time of delivery, or, in the event that the registry does not as a matter of practice issue such documentation immediately, a written undertaking by the Sellers to effect deletion from the Vessel's registry forthwith and provide a certificate or other official evidence of deletion to the Buyers promptly and latest within four (4) weeks after the Purchase Price has been paid and the Vessel has been delivered;**
  - (vii) ~~A copy of the Vessel's Continuous Synopsis Record certifying the date on which the Vessel ceased to be registered with the Vessel's registry, or, in the event that the registry does not as a matter of practice issue such certificate immediately, a written undertaking from the Sellers to provide the copy of this certificate promptly upon it being issued together with evidence of submission by the Sellers of a duly executed Form 2 stating the date on which the Vessel shall cease to be registered with the Vessel's registry;~~
  - (viii) Commercial Invoice for the Vessel;
  - (ix) Commercial Invoice(s) for bunkers, lubricating and hydraulic oils and greases;
  - (x) ~~A copy of the Sellers' letter to their satellite communication provider cancelling the Vessel's communications contract which is to be sent immediately after delivery of the Vessel;~~
  - (xi) Any additional documents **as listed in Attachment A and/or** as may reasonably be required by the competent authorities of the Buyers' Nominated Flag State for the purpose of registering the Vessel, provided the Buyers notify the Sellers of any such documents as soon as possible after the date of this Agreement; and
  - (xii) ~~The Sellers' letter of confirmation that to the best of their knowledge, the Vessel is not~~

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~~black listed by any nation or international organisation.~~

**(xiii) A copy of the sea trial results duly approved by the Classification Society as per Attachment A**

**(xiv) An assignment in favour of the Buyers assigning all warranties of the Builder towards the Sellers (such warranty is attached to this Agreement in Attachment B) and also an assignment of any warranty or service or spare part arrangement that a maker or subcontractor has provided to the Sellers directly.**

**(b)** At the time of delivery the Buyers shall provide the Sellers with:

**(i)** Evidence that all necessary corporate, shareholder and other action has been taken by the Buyers to authorise the execution, delivery and performance of this Agreement; and

**(ii)** Power of Attorney of the Buyers appointing one or more representatives to act on behalf of the Buyers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate).

**(c)** If any of the documents listed in Sub-clauses (a) and (b) above are not in the English language they shall be accompanied by an English translation by an authorised translator or certified by a lawyer qualified to practice in the country of the translated language.

**(d)** The Parties shall to the extent possible exchange copies, drafts or samples of the documents listed in Sub-clause (a) and Sub-clause (b) above for review and comment by the other party not later than **3 days** (*state number of days*), or if left blank, **nine (9) days** prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement.

**(e)** Concurrent with the exchange of documents in Sub-clause (a) and Sub-clause (b) above, the Sellers shall also hand to the Buyers the classification certificate(s) as well as all plans, drawings and manuals, (excluding ISM/ISPS manuals), which are on board the Vessel. Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers have the right to take copies.

**(f)** Other technical documentation which may be in the Sellers' possession shall promptly after delivery be forwarded to the Buyers at their expense, if they so request. ~~The Sellers may keep the Vessel's log books but the Buyers have the right to take copies of same.~~

**(g)** The Parties shall sign and deliver to each other a Protocol of Delivery and Acceptance confirming the date and time of delivery of the Vessel from the Sellers to the Buyers.

## **9. Encumbrances**

The Sellers warrant that the Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts whatsoever, and is not subject to Port State or other administrative detentions. The Sellers hereby undertake to indemnify the Buyers against all consequences of claims made against the Vessel which have been incurred prior to the time of delivery.

## **10. Taxes, fees and expenses**

Any taxes, fees and expenses in connection with the purchase and registration in the Buyers' Nominated Flag State shall be for the Buyers' account, ~~whereas similar charges in connection with the closing of the Sellers' register shall be for the Sellers' account.~~

## **11. Condition on delivery**

The Vessel with everything belonging to her shall be at the Sellers' risk and expense until she is delivered to the Buyers, but subject to the terms and conditions of this Agreement she shall be delivered and taken over as **per Attachment A with new Class certificates, free of damage affecting the Vessel's Class and with her Class and national certificates valid and duly executed without condition/recommendation by the relevant authorities at the time of delivery.**

**Notwithstanding the above, the Buyers shall be required to accept the Vessel if the Sellers is required to accept the Vessel and take delivery of the Vessel from the Builder pursuant to the Shipbuilding Contract. As such;**



**The Buyers shall not unreasonably reject the Vessel because of minor or insubstantial defect or non-conformity judged from the viewpoint of generally accepted good shipbuilding practice which do not result in condition/recommendation from Class, do not affect the seaworthiness of the**

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Vessel and which do not adversely affect the trading of the Vessel, provided that the Buyer, the Sellers and the Builder have agreed in writing that a time schedule following delivery of the Vessel within such non-conformities will be corrected by the Builder.

Notwithstanding the above, the Buyers shall not be entitled to refuse delivery by reason only of a deficiency in the Vessel's guaranteed speed and/or fuel consumption and/or the guaranteed cargo capacity and/or the guaranteed boil-off rate, unless the Sellers in its capacity as buyers under the Shipbuilding Contract is entitled to reject delivery vis-a-vis the Builder. If any such deficiencies exceeds limits, the Buyer's shall be entitled to deduct from the Purchase Price such amounts as the Sellers is entitled to deduct from the contract price under the Shipbuilding Contract vis-a-vis the Builder. An extract of the guaranteed speed, fuel consumption, guaranteed cargo capacity and boil-off rate provision under the Shipbuilding Contract is attached to this Agreement in Attachment C.

After completion of sea trials and the gas trials (as per the Shipbuilding Contract) and receipt by the Buyers of a copy of the Builders notice for delivery, the Buyers shall, within 1 day after receipt of such notice, notify the Sellers of its intended acceptance or rejection of the Vessel on the basis of its conformity with the requirements of Attachment A.

she was at the time of inspection, fair wear and tear excepted.

However, the Vessel shall be delivered free of cargo and free of stowaways with her Class maintained without condition/~~recommendation\*~~, free of average damage affecting the Vessel's class, and with her classification certificates and national certificates, as well as all other certificates the Vessel had at the time of inspection, valid and unextended without condition/~~recommendation\*~~ by the Classification Society or the relevant authorities at the time of delivery.

"inspection" in this ~~Clause 11~~, shall mean the Buyers' inspection according to ~~Clause 4(a) or 4(b)~~ (Inspections), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*Notes and memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/~~recommendation~~ are not to be taken into account.*

## 12. Name/markings

The Vessel shall be delivered by the Sellers to the Buyers with the Buyers' name and funnel marking. Upon delivery the Buyers undertake to change the name of the Vessel and alter funnel markings.

## 13. Buyers' default

Should the ~~Deposit~~ **Downpayment** not be lodged ~~paid~~ in accordance with Clause 2 (~~Deposit~~ **Downpayment**), the Sellers have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest. Should the Purchase Price not be paid in accordance with Clause 3 (Payment), the Sellers have the right to cancel this Agreement, in which case ~~the Deposit together with interest earned, if any, shall be released to the Sellers.~~ If the ~~Deposit~~ does not cover ~~their loss~~, the Sellers shall be entitled to claim ~~further~~ compensation for their losses and for all expenses incurred together with interest **due to Buyers' proven breach. The Sellers shall have a right to deduct from the Downpayment all such claims for compensation as they are entitled to pursuant to this Clause 13. After the Sellers have made such deductions, the Sellers shall return the balance of the Downpayment to the Buyers.**

## 14. Sellers' default

Should the Sellers fail to give Notice of Readiness in accordance with Clause 5(b) or fail to be ready to validly complete a legal transfer by the Cancelling Date the Buyers shall have the option of cancelling this Agreement. If after Notice of Readiness has been given but before the Buyers have taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and new Notice of Readiness given, the Buyers shall retain their option to cancel **subject to Clause 5c above**. In the event that the Buyers elect to cancel this Agreement, the ~~Deposit~~ **Downpayment** together with interest ~~earned, if any~~ **as set out in line 34**, shall be ~~refunded~~ **released** to them

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immediately.

Should the Sellers fail to give Notice of Readiness by the Cancelling Date or fail to be ready to validly complete a legal transfer as aforesaid they shall **be obliged to release the Downpayment including interest thereon to the Buyers, but otherwise not have any obligations towards the Buyers** ~~make due compensation to the Buyers for their loss and for all expenses together with interest if their failure is due to proven negligence and whether or not the Buyers cancel this Agreement.~~

## 15. Buyers' representatives

After this Agreement has been signed by the Parties and the ~~Deposit-Downpayment~~ has been ~~ledged~~paid, the Buyers shall at any time thereafter have the right to visit the Yard and inspect the work in progress and have the right to place ~~two (2)~~ representatives on ~~site~~board the Vessel at their sole risk and expense to work with and cooperate with the existing site management team. The Buyers' representatives shall have customary access to the Vessel, the Yard facilities and relevant shipbuilding documents and drawings as per customary practice and have the right to be present at all inspections, tests and sea trials and sea trial results.

The Sellers shall keep the Buyers well informed of any upcoming milestones and of any inspections and tests both at the Yard and with respect to subcontractors work, to ensure that the Buyers is able to attend the same. The Buyers shall attend as observers only, shall not interfere or obstruct the construction process and shall comply with the Sellers site managers instruction.

The Sellers shall make available customary office space at the Yard for the Buyers representatives if the Buyers so request. The Sellers shall make available for Buyers review all correspondence, notices and other documents related to technical (as opposed to commercial) matters under construction process and shall provide copies of the same upon the Buyers request.

~~These representatives are on board for the purpose of familiarisation and in the capacity of observers only, and they shall not interfere in any respect with the operation of the Vessel. The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation.~~

## 16. Law and Arbitration

(a) \*This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.

The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both Parties as if the sole arbitrator had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$100,000 the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

~~(b) \*This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the substantive law (not including the choice of law rules) of the State of New York and any dispute arising out of or in connection with this Agreement shall be referred to three (3) persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the~~

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Society of Maritime Arbitrators, Inc.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$ 100,000 the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc.

~~(e)~~ This Agreement shall be governed by and construed in accordance with the laws of \_\_\_\_\_ (state place) and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at \_\_\_\_\_ (state place), subject to the procedures applicable there.

*\*16(a), 16(b) and 16(c) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 16(a) shall apply.*

## 17. Notices

All notices to be provided under this Agreement shall be in writing.

Contact details for recipients of notices are as follows:

For the Buyers: **FLEX LNG Courageous Limited**

**c/o FLEX LNG Management Limited  
4th Floor  
15 Sloane Square  
London**

**Attention: James Clarke  
Email: James.Clarke@flexlng.com**

For the Sellers: **Courageous Inc.,**

**c/o Seatankers Management Company Ltd.  
P.O. Box 53562,  
CY-3399 Limassol,  
Cyprus**

**(Deanna Beach Apartments, Block 1, 4th Floor,  
Promachon Eleftherias Street, Ayios Athanasios,  
CY-4013 Limassol,  
Cyprus)**

**Attention: Spyros Episkopou  
Telephone: +357 25 858 300  
Email: spyros.episkopou@seatankers.com.cy**

## 18. Entire Agreement

The written terms of this Agreement comprise the entire agreement between the Buyers and the Sellers in relation to the sale and purchase of the Vessel and supersede all previous agreements whether oral or written between the Parties in relation thereto.

Each of the Parties acknowledges that in entering into this Agreement it has not relied on and shall have no right or remedy in respect of any statement, representation, assurance or warranty (whether or not made negligently) other than as is expressly set out in this Agreement.

Any terms implied into this Agreement by any applicable statute or law are hereby excluded to the extent that such exclusion can legally be made. Nothing in this Clause shall limit or exclude any liability for fraud.

## 19. Attachment A

**Attachment A enclosed hereto constitute the full and complete specifications for the Vessel (Ref. No. H2470-FS-R0) dated February 21, 2017 (the “Specifications”), the General Arrangement Plan (DWG. No. BPD-SEA-101-001 Rev. A) dated February 21, 2017 (the “Plan”) and the suppliers list (Ref. No. H2470-SL-R0) dated February 21, 2017 (the “Suppliers List”) and forms and integral part of this Agreement.**

**20. Modifications, changes and extras**

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The Sellers shall not agree to any major amendments, modifications or changes to the Specifications, the Plan and/or the Makers List without the Buyers' prior written consent.

Minor modifications or changes to the Specifications, the Plan and the Makers List may be requested by the Buyers substantially on the terms set out in the Shipbuilding Contract and the Sellers shall take the necessary action to request such changes from the Builder. The Sellers agreement with the Builder in respect of any such changes or modifications in respect of which the Builder requires a change in the contract price, delivery date, Specifications or other terms of the Shipbuilding Contract after the date of this Agreement shall be conditional upon the Buyers agreeing to a co-extensive change of such terms in this Agreement.

In the event of any changes in rules and regulations as described in the Shipbuilding Contract, the Sellers shall cover the costs related to any such changes of which notice was given by Class or the relevant authority to the Sellers or the Builder prior to the date of this Agreement and the Buyer shall cover the costs related to any such changes of which notice was given after the date of this Agreement.

**21. Termination of the Shipbuilding Contract**

Should the Sellers be entitled to cancel the Shipbuilding Contract before delivery then they will inform the Buyers without delay and both Parties will then jointly decide how to progress with the situation at hand. The Sellers will not cancel the Shipbuilding Contract without prior consent of Buyers, such consent not to be unreasonably withheld.

**22. Parent Company Guarantee**

At the time of signing of this Agreement, the Buyers shall provide the Sellers with a performance guarantee in such form as attached hereto in Attachment E, duly executed by the Buyers' ultimate parent company, Flex LNG Ltd. (the "Guarantee").

The Guarantee shall apply in respect of all obligations assumed by the Buyers under this Agreement, but shall in all circumstances be limited to the Contract Price plus accrued interest as applicable.

For and on behalf of the Sellers

/s/ Spyros Episkopou  
Name: Spyros Episkopou  
Title: Director

For and on behalf of the Buyers

/s/ James Clarke  
Name: James Clarke  
Title: Attorney-in-fact

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## MEMORANDUM OF AGREEMENT

Norwegian Shipbrokers' Association's  
Memorandum of Agreement for sale and  
purchase of ships. Adopted by BIMCO in 1956.  
Code-name  
**SALEFORM 2012**  
Revised 1966, 1983 and 1986/87, 1993 and 2012

Dated: **May 2018**

**Sea Aurora Inc.**, a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands (*Name of sellers*), hereinafter called the "Sellers", have agreed to sell, and

**FLEX LNG Aurora Limited**, a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands (*Name of buyers*), hereinafter called the "Buyers",

have agreed to buy: **The Vessel with hull no. 8010 currently under construction at Hyundai Samho Heavy Industries Co., Ltd. having their principal office at 93, Daebul-Ro, Samho-Eup, Yeongam-Gun, Jeollanam-Do, Korea (the "Builder")**

Name of vessel: **To be named "FLEX Aurora"**

IMO Number: **TBA**

Classification Society: **DNV GL**

Class Notation: **+1A, Tanker for liquefied gas, Ship type 2G(-163°C, 500 kg/m3, 0.35bar), GF, E0, BIS, TMON, COAT-PSPC(B), CMON, LCS, BWM(T), Recyclable, ERS, NAUT(NAV), CLEAN, F(A, C)**

Year of Build: **As per Attachment A** Builder/Yard: **Hyundai Samho Heavy Industries Co., Ltd.**

Flag: **Marshall Islands** Place of Registration: **N/A** GT/NT: **As per Attachment A/\_\_\_\_\_**

hereinafter called the "Vessel", on the following terms and conditions:

### Definitions

**"Attachment A" means the Specifications and the General Arrangement Plan as attached to this Agreement (see Clause 19)**

"Banking Days" are days on which banks are open both in the country of the currency stipulated for the Purchase Price in Clause 1 (Purchase Price) and in the place of closing stipulated in Clause 8 (Documentation), ~~and Norway and South Korea~~ (*add additional jurisdictions as appropriate*).

"Buyers' Nominated Flag State" means **Marshall Islands** (*state flag state*).

"Class" means the class notation referred to above.

"Classification Society" means the Society referred to above.

"~~Deposit~~**Downpayment**" shall have the meaning given in Clause 2 (~~Deposit~~**Downpayment**)

"~~Deposit Holder~~" means \_\_\_\_\_ (*state name and location of Deposit Holder*) or, if left blank, the Sellers' Bank, which shall hold and release the ~~Deposit~~ in accordance with this Agreement.

"In writing" or "written" means a letter handed over from the Sellers to the Buyers or vice versa, a registered letter, e-mail or telefax.

“Parties” means the Sellers and the Buyers.

“Purchase Price” means the price for the Vessel as stated in Clause 1 (Purchase Price).

“Sellers’ Account” means **the bank account notified by the Sellers to the Buyers for the receipt of the Downpayment and the balance of the Purchase Price** (*state details of bank account*) at the Sellers’ bBank.

“Shipbuilding Contract” means **the shipbuilding contract for the construction of the Vessel entered into between the Builder and the Sellers on 6 March 2018. The Sellers shall not make any major amendments to the Shipbuilding Contract without the prior consent from the Buyers ref. Clause 20.**

“Sellers’ Bank” means \_\_\_\_\_ (*state name of bank, branch and details*) or, if left blank, the bank

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notified by the Sellers to the Buyers for receipt of the balance of the Purchase Price.

## 1. Purchase Price

The Purchase Price is **USD 184,000,000 (United States Dollars One Hundred and Eighty Four Million)** *(state currency and amount both in words and figures)*.

## 2. Deposit Downpayment

As security for the correct fulfilment of this Agreement the Buyers shall ~~ledge a deposit~~ **make a downpayment of 20% (twenty per cent) i.e. USD 36,800,000 (United States Dollars Thirty Six Million Eight Hundred Thousand)** ~~or, if left blank, 10% (ten per cent),~~ of the Purchase Price (the "~~Deposit Downpayment~~") **to the Sellers' Account** in an interest-bearing account for the Parties with the ~~Deposit Holder~~ within three (3) Banking Days after the date that:

(i) this Agreement has been signed by the Parties and exchanged in original or by e-mail or telefax **(or such other date as the Parties may agree)**.

**As security for the Sellers' obligation to repay the Downpayment in the event that this Agreement is cancelled by the Buyers in accordance with the terms of this Agreement, the Sellers shall provide Buyers with an irrevocable letter of guarantee issued by Blue Sea Navigation Holding Inc., in form and substance as annexed hereto as Attachment D at the time of signing of this Agreement.**

; and

(ii) ~~the Deposit Holder has confirmed in writing to the Parties that the account has been opened.~~

~~The Deposit shall be released in accordance with joint written instructions of the Parties. Interest, if any, shall be credited to the Buyers. Any fee charged for holding and releasing the Deposit shall be borne equally by the Parties. The Parties shall provide to the Deposit Holder all necessary documentation to open and maintain the account without delay.~~

## 3. Payment

On delivery of the Vessel, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices):

(i) ~~the Deposit shall be released to the Sellers; and~~

(ii) the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this Agreement shall be paid in full free of bank charges to the Sellers' Account.

**Notwithstanding the above, the Buyers and the Sellers will work together to effect a simultaneous payment under this Agreement and the balance payment of the installment payable on delivery of the Vessel from the Builder to the Sellers, by use of the same funds if deemed practical by the Parties.**

## 4. Inspection

(a)\* ~~The Buyers have inspected and accepted Attachment A and the Buyers shall accept the Vessel upon the Vessels completion according to Attachment A.~~ ~~the Vessel's classification records. The Buyers have also inspected the Vessel at/in \_\_\_\_\_ (state place) on \_\_\_\_\_ (state date) and have accepted the Vessel following this inspection and the sale is outright and definite, subject only to the terms and conditions of this Agreement.~~

(b)\* ~~The Buyers shall have the right to inspect the Vessel's classification records and declare whether same are accepted or not within \_\_\_\_\_ (state date/period).~~

~~The Sellers shall make the Vessel available for inspection at/in \_\_\_\_\_ (state place/range) within \_\_\_\_\_ (state date/period).~~

~~The Buyers shall undertake the inspection without undue delay to the Vessel. Should the Buyers cause undue delay they shall compensate the Sellers for the losses thereby incurred.~~

~~The Buyers shall inspect the Vessel without opening up and without cost to the Sellers.~~

~~During the inspection, the Vessel's deck and engine log books shall be made available for examination by the Buyers.~~

~~The sale shall become outright and definite, subject only to the terms and conditions of this~~

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Agreement, provided that the Sellers receive written notice of acceptance of the Vessel from the Buyers within seventy-two (72) hours after completion of such inspection or after the date/last day of the period stated in *Line 59*, whichever is earlier.

Should the Buyers fail to undertake the inspection as scheduled and/or notice of acceptance of the Vessel's classification records and/or of the Vessel not be received by the Sellers as aforesaid, the Deposit together with interest earned, if any, shall be released immediately to the Buyers, whereafter this Agreement shall be null and void.

*\*4(a) and 4(b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 4(a) shall apply.*

## 5. Time and place of delivery and notices

(a) The Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage at/in **Yeongam, South Korea as per Attachment A (state place/range) in the Sellers' option simultaneously with delivery from Builder to the Sellers. The agreed Notice of Readiness shall not be tendered before: \_\_\_\_\_ (date) Delivery Date as per the Shipbuilding Contract is 30 June 2020 ("Agreed Delivery Date"). The Builder has the right to deliver the Vessel to the Buyers up to two (2) months earlier than the Agreed Delivery Date.**

Cancelling Date (see Clauses 5(c), 6 (a)(i), 6 (a) (iii) and 14): \_\_\_\_\_

(b) The Sellers shall keep the Buyers well informed of the Vessel's **construction progress and shall provide the Buyers with approximate notices of the date the Sellers intend to tender Notice of Readiness** itinerary and shall provide the Buyers with twenty (20), ten (10), five (5) and three (3) days' notice of the date the Sellers intend to tender Notice of Readiness and of the intended place of delivery.

When the Vessel is **completed in accordance with Attachment A** at the place of delivery and physically ready for delivery in accordance with this Agreement, the Sellers shall give the Buyers a written Notice of Readiness for delivery.

**If the Vessel is delayed and the Sellers receive liquidated damages due to delay under the Shipbuilding Contract, the Purchase Price shall be reduced accordingly with a corresponding amount (see Attachment C)**

**Cancelling Date (see Clauses 5(c) and 14): The Cancelling Date under this Agreement shall correspond with the cancelling date under the Shipbuilding Contract.**

(c) If the Sellers anticipate that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date they may notify the Buyers in writing stating the date when they anticipate that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyers shall have the option of either cancelling this Agreement in accordance with Clause 14 (Sellers' Default) within three (3) Banking Days of receipt of the notice or of accepting the new date as the new Cancelling Date. If the Buyers have not declared their option within three (3) Banking Days of receipt of the Sellers' notification or if the Buyers accept the new date, the date proposed in the Sellers' notification shall be deemed to be the new Cancelling Date and shall be substituted for the Cancelling Date stipulated in line 79.

If this Agreement is maintained with the new Cancelling Date all other terms and conditions hereof including those contained in Clauses 5(b) and 5(d) shall remain unaltered and in full force and effect.

(d) Cancellation, failure to cancel or acceptance of the new Cancelling Date shall be entirely without prejudice to any claim for damages the Buyers may have under Clause 14 (Sellers' Default) for the Vessel not being ready by the original Cancelling Date.

(e) Should the Vessel become an actual, constructive or compromised total loss before delivery the **Deposit-Downpayment** together with interest **as set out in line 33** earned, if any, shall be released immediately to the Buyers whereafter this Agreement shall be null and void.

## 6. Divers Inspection / Drydocking – N/A

(a)\*

(i) ~~The Buyers shall have the option at their cost and expense to arrange for an underwater inspection by a diver approved by the Classification Society prior to the delivery of the Vessel. Such option shall be declared latest nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this~~

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Agreement. The Sellers shall at their cost and expense make the Vessel available for such inspection. This inspection shall be carried out without undue delay and in the presence of a Classification Society surveyor arranged for by the Sellers and paid for by the Buyers. The Buyers' representative(s) shall have the right to be present at the diver's inspection as observer(s) only without interfering with the work or decisions of the Classification Society surveyor. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the Classification Society. If the conditions at the place of delivery are unsuitable for such inspection, the Sellers shall at their cost and expense make the Vessel available at a suitable alternative place near to the delivery port, in which event the Cancelling Date shall be extended by the additional time required for such positioning and the subsequent re-positioning. The Sellers may not tender Notice of Readiness prior to completion of the underwater inspection.

(ii) If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, then (1) unless repairs can be carried out afloat to the satisfaction of the Classification Society, the Sellers shall arrange for the Vessel to be drydocked at their expense for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules (2) such defects shall be made good by the Sellers at their cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\* and (3) the Sellers shall pay for the underwater inspection and the Classification Society's attendance.

Notwithstanding anything to the contrary in this Agreement, if the Classification Society do not require the aforementioned defects to be rectified before the next class drydocking survey, the Sellers shall be entitled to deliver the Vessel with these defects against a deduction from the Purchase Price of the estimated direct cost (of labour and materials) of carrying out the repairs to the satisfaction of the Classification Society, whereafter the Buyers shall have no further rights whatsoever in respect of the defects and/or repairs. The estimated direct cost of the repairs shall be the average of quotes for the repair work obtained from two reputable independent shipyards at or in the vicinity of the port of delivery, one to be obtained by each of the Parties within two (2) Banking Days from the date of the imposition of the condition/recommendation, unless the Parties agree otherwise. Should either of the Parties fail to obtain such a quote within the stipulated time then the quote duly obtained by the other Party shall be the sole basis for the estimate of the direct repair costs. The Sellers may not tender Notice of Readiness prior to such estimate having been established.

(iii) If the Vessel is to be drydocked pursuant to Clause 6(a)(ii) and no suitable dry-docking facilities are available at the port of delivery, the Sellers shall take the Vessel to a port where suitable drydocking facilities are available, whether within or outside the delivery range as per Clause 5(a). Once drydocking has taken place the Sellers shall deliver the Vessel at a port within the delivery range as per Clause 5(a) which shall, for the purpose of this Clause, become the new port of delivery. In such event the Cancelling Date shall be extended by the additional time required for the drydocking and extra steaming, but limited to a maximum of fourteen (14) days.

(b)\* The Sellers shall place the Vessel in drydock at the port of delivery for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules. If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, such defects shall be made good at the Sellers' cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\*. In such event the Sellers are also to pay for the costs and expenses in connection with putting the Vessel in and taking her out of drydock, including the drydock dues and the Classification Society's fees. The Sellers shall also pay for these costs and expenses if parts of the tailshaft system are condemned or found defective or broken so as to affect the Vessel's class. In all other cases, the Buyers shall pay the aforesaid costs and expenses, dues and fees.

(c) If the Vessel is drydocked pursuant to Clause 6 (a)(ii) or 6 (b) above:

(i) The Classification Society may require survey of the tailshaft system, the extent of the survey being to the satisfaction of the Classification surveyor. If such survey is not required by the Classification Society, the Buyers shall have the option to require the tailshaft to be drawn and surveyed by the Classification Society, the extent of the survey being in accordance with the Classification Society's rules for tailshaft survey and consistent with the current stage of the Vessel's survey cycle. The Buyers shall declare

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whether they require the tailshaft to be drawn and surveyed not later than by the completion of the inspection by the Classification Society. The drawing and refitting of the tailshaft shall be arranged by the Sellers. Should any parts of the tailshaft system be condemned or found defective so as to affect the Vessel's class, those parts shall be renewed or made good at the Sellers' cost and expense to the satisfaction of Classification Society without condition/recommendation\*\*.

(ii) The costs and expenses relating to the survey of the tailshaft system shall be borne by the Buyers unless the Classification Society requires such survey to be carried out or if parts of the system are condemned or found defective or broken so as to affect the Vessel's class, in which case the Sellers shall pay these costs and expenses.

(iii) The Buyers' representative(s) shall have the right to be present in the drydock, as observer(s) only without interfering with the work or decisions of the Classification Society surveyor.

(iv) The Buyers shall have the right to have the underwater parts of the Vessel cleaned and painted at their risk, cost and expense without interfering with the Sellers' or the Classification Society surveyor's work, if any, and without affecting the Vessel's timely delivery. If, however, the Buyers' work in drydock is still in progress when the Sellers have completed the work which the Sellers are required to do, the additional docking time needed to complete the Buyers' work shall be for the Buyers' risk, cost and expense. In the event that the Buyers' work requires such additional time, the Sellers may upon completion of the Sellers' work tender Notice of Readiness for delivery whilst the Vessel is still in drydock and, notwithstanding Clause 5(a), the Buyers shall be obliged to take delivery in accordance with Clause 3 (Payment), whether the Vessel is in drydock or not.

*\*6 (a) and 6 (b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 6 (a) shall apply.*

*\*\*Notes or memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/ recommendation are not to be taken into account.*

## 7. Spares, bunkers and other items

The Sellers shall deliver the Vessel to the Buyers with everything belonging to her on board and on shore **as per Attachment A**. All spare parts and spare equipment including spare tail-end shaft(s) and/or spare propeller(s)/propeller blade(s), if any, ~~belonging to the Vessel at the time of inspection~~ **ordered separately by the Buyers during construction (i.e. not being part of the Specification)** used or unused, whether on board or not shall become the Buyers' property, ~~but together with spares on order are excluded shall be included in the sale and the Buyers shall pay the actual net price to the Sellers.~~ Forwarding charges, if any, shall be for the Buyers' account. The Sellers are not required to replace spare parts including spare tail-end shaft(s) and spare propeller(s)/propeller blade(s) which are taken out of spare and used as replacement prior to delivery, but the replaced items shall be the property of the Buyers. Unused stores and provisions shall be included in the sale and be taken over by the Buyers without extra payment.

Library and forms exclusively for use in the Sellers' vessel(s) and captain's, officers' and crew's personal belongings including the slop chest are excluded from the sale without compensation, as well as the following additional items: \_\_\_\_\_ *(include list)*

Items on board which are on hire or owned by third parties, listed as follows, are excluded from the sale without compensation: \_\_\_\_\_ *(include list)*

Items on board at the time of inspection which are on hire or owned by third parties, not listed above, shall be replaced or procured by the Sellers prior to delivery at their cost and expense.

The Buyers shall take over remaining bunkers and unused lubricating and hydraulic oils and greases in storage tanks and unopened drums **and fuel oil, LNG, other liquefied gases, fresh water or consumable stores which are on board the Vessel at the time of delivery** and pay either:

(a) \*the actual net price (excluding barging expenses) as evidenced by invoices or vouchers; or

(b) \*the current net market price (excluding barging expenses) at the port and date of delivery of the Vessel or, if unavailable, at the nearest bunkering port, for the quantities taken over.

Payment under this Clause shall be made at the same time and place and in the same currency as the Purchase Price.

"inspection" in this Clause 7, shall mean the Buyers' inspection according to Clause 4(a) or 4(b)

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(Inspection), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*(a) and (b) are alternatives, delete whichever is not applicable. In the absence of deletions alternative (a) shall apply.*

## 8. Documentation

The place of closing: **At the Builder's shipyard in Yeongam, South Korea or such other place as the Parties may agree**

(a) In exchange for payment of the Purchase Price the Sellers shall provide the Buyers with the following delivery documents:

(i) Legal Bill(s) of Sale in a form recordable in the Buyers' Nominated Flag State, transferring title of the Vessel and stating that the Vessel is free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, duly notarially attested and legalised or apostilled, as required by the Buyers' Nominated Flag State;

(ii) Evidence that all necessary corporate, shareholder and other action has been taken by the Sellers to authorise the execution, delivery and performance of this Agreement;

(iii) Power of Attorney of the Sellers appointing one or more representatives to act on behalf of the Sellers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate);

(iv) **Protocol of Delivery and Acceptance signed by the Builder and the Sellers, to be countersigned by the Buyers, and Builders' Certificate issued to the Sellers by the Builder, both duly notarially attested and legalized Certificate or Transcript of Registry issued by the competent authorities of the flag state on the date of delivery evidencing the Sellers' ownership of the Vessel and that the Vessel is free from registered encumbrances and mortgages, to be faxed or e-mailed by such authority to the closing meeting with the original to be sent to the Buyers as soon as possible after delivery of the Vessel;**

(v) **Class Certificates in form as required to be delivered by the Builder to the Sellers as per Attachment A Declaration of Class or (depending on the Classification Society) a Class Maintenance Certificate issued within three (3) Banking Days prior to delivery confirming that the Vessel is in Class free of condition/recommendation;**

(vi) **A statement from the Sellers in a form acceptable to the Buyers' nominated ship registry, stating that the Vessel has never been registered in any ship registry. Certificate of Deletion of the Vessel from the Vessel's registry or other official evidence of deletion appropriate to the Vessel's registry at the time of delivery, or, in the event that the registry does not as a matter of practice issue such documentation immediately, a written undertaking by the Sellers to effect deletion from the Vessel's registry forthwith and provide a certificate or other official evidence of deletion to the Buyers promptly and latest within four (4) weeks after the Purchase Price has been paid and the Vessel has been delivered;**

(vii) ~~A copy of the Vessel's Continuous Synopsis Record certifying the date on which the Vessel ceased to be registered with the Vessel's registry, or, in the event that the registry does not as a matter of practice issue such certificate immediately, a written undertaking from the Sellers to provide the copy of this certificate promptly upon it being issued together with evidence of submission by the Sellers of a duly executed Form 2 stating the date on which the Vessel shall cease to be registered with the Vessel's registry;~~

(viii) Commercial Invoice for the Vessel;

(ix) Commercial Invoice(s) for bunkers, lubricating and hydraulic oils and greases;

(x) ~~A copy of the Sellers' letter to their satellite communication provider cancelling the Vessel's communications contract which is to be sent immediately after delivery of the Vessel;~~

(xi) Any additional documents **as listed in Attachment A and/or** as may reasonably be required by the competent authorities of the Buyers' Nominated Flag State for the purpose of registering the Vessel, provided the Buyers notify the Sellers of any such documents as soon as possible after the date of this Agreement; and

(xii) ~~The Sellers' letter of confirmation that to the best of their knowledge, the Vessel is not~~

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~~black listed by any nation or international organisation.~~

(xiii) **A copy of the sea trial results duly approved by the Classification Society as per Attachment A**

(xiv) **An assignment in favour of the Buyers assigning all warranties of the Builder towards the Sellers (such warranty is attached to this Agreement in Attachment B) and also an assignment of any warranty or service or spare part arrangement that a maker or subcontractor has provided to the Sellers directly.**

(b) At the time of delivery the Buyers shall provide the Sellers with:

(i) Evidence that all necessary corporate, shareholder and other action has been taken by the Buyers to authorise the execution, delivery and performance of this Agreement; and

(ii) Power of Attorney of the Buyers appointing one or more representatives to act on behalf of the Buyers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate).

(c) If any of the documents listed in Sub-clauses (a) and (b) above are not in the English language they shall be accompanied by an English translation by an authorised translator or certified by a lawyer qualified to practice in the country of the translated language.

(d) The Parties shall to the extent possible exchange copies, drafts or samples of the documents listed in Sub-clause (a) and Sub-clause (b) above for review and comment by the other party not later than **3 days** (*state number of days*), or if left blank, ~~nine (9) days~~ prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement.

(e) Concurrent with the exchange of documents in Sub-clause (a) and Sub-clause (b) above, the Sellers shall also hand to the Buyers the classification certificate(s) as well as all plans, drawings and manuals, (excluding ISM/ISPS manuals), which are on board the Vessel. Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers have the right to take copies.

(f) Other technical documentation which may be in the Sellers' possession shall promptly after delivery be forwarded to the Buyers at their expense, if they so request. ~~The Sellers may keep the Vessel's log books but the Buyers have the right to take copies of same.~~

(g) The Parties shall sign and deliver to each other a Protocol of Delivery and Acceptance confirming the date and time of delivery of the Vessel from the Sellers to the Buyers.

## **9. Encumbrances**

The Sellers warrant that the Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts whatsoever, and is not subject to Port State or other administrative detentions. The Sellers hereby undertake to indemnify the Buyers against all consequences of claims made against the Vessel which have been incurred prior to the time of delivery.

## **10. Taxes, fees and expenses**

Any taxes, fees and expenses in connection with the purchase and registration in the Buyers' Nominated Flag State shall be for the Buyers' account, ~~whereas similar charges in connection with the closing of the Sellers' register shall be for the Sellers' account.~~

## **11. Condition on delivery**

The Vessel with everything belonging to her shall be at the Sellers' risk and expense until she is delivered to the Buyers, but subject to the terms and conditions of this Agreement she shall be delivered and taken over as **per Attachment A with new Class certificates, free of damage affecting the Vessel's Class and with her Class and national certificates valid and duly executed without condition/recommendation by the relevant authorities at the time of delivery.**

**Notwithstanding the above, the Buyers shall be required to accept the Vessel if the Sellers is required to accept the Vessel and take delivery of the Vessel from the Builder pursuant to the Shipbuilding Contract. As such;**

**The Buyers shall not unreasonably reject the Vessel because of minor or insubstantial defect or non-conformity judged from the viewpoint of generally accepted good shipbuilding practice which do not result in condition/recommendation from Class, do not affect the seaworthiness of the**

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Vessel and which do not adversely affect the trading of the Vessel, provided that the Buyer, the Sellers and the Builder have agreed in writing that a time schedule following delivery of the Vessel within such non-conformities will be corrected by the Builder.

Notwithstanding the above, the Buyers shall not be entitled to refuse delivery by reason only of a deficiency in the Vessel's guaranteed speed and/or fuel consumption and/or the guaranteed cargo capacity and/or the guaranteed boil-off rate, unless the Sellers in its capacity as buyers under the Shipbuilding Contract is entitled to reject delivery vis-a-vis the Builder. If any such deficiencies exceed limits, the Buyers shall be entitled to deduct from the Purchase Price such amounts as the Sellers is entitled to deduct from the contract price under the Shipbuilding Contract vis-a-vis the Builder. An extract of the guaranteed speed, fuel consumption, guaranteed cargo capacity and boil-off rate provision under the Shipbuilding Contract is attached to this Agreement in Attachment C.

After completion of sea trials and the gas trials (as per the Shipbuilding Contract) and receipt by the Buyers of a copy of the Builders notice for delivery, the Buyers shall, within 1 day after receipt of such notice, notify the Sellers of its intended acceptance or rejection of the Vessel on the basis of its conformity with the requirements of Attachment A.

she was at the time of inspection, fair wear and tear excepted.

However, the Vessel shall be delivered free of cargo and free of stowaways with her Class maintained without condition/~~recommendation\*~~, free of average damage affecting the Vessel's class, and with her classification certificates and national certificates, as well as all other certificates the Vessel had at the time of inspection, valid and unextended without condition/~~recommendation\*~~ by the Classification Society or the relevant authorities at the time of delivery.

~~"inspection" in this Clause 11, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspections), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.~~

~~\*Notes and memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/  
recommendation are not to be taken into account.~~

## 12. Name/markings

~~The Vessel shall be delivered by the Sellers to the Buyers with the Buyers' name and funnel marking. Upon delivery the Buyers undertake to change the name of the Vessel and alter funnel markings.~~

## 13. Buyers' default

~~Should the ~~Deposit~~ **Downpayment** not be ~~lodged~~ **paid** in accordance with Clause 2 (~~Deposit~~ **Downpayment**), the Sellers have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest.~~

~~Should the Purchase Price not be paid in accordance with Clause 3 (Payment), the Sellers have the right to cancel this Agreement, in which case the ~~Deposit~~ together with interest earned, if any, shall be released to the Sellers. If the ~~Deposit~~ does not cover their loss, the Sellers shall be entitled to claim ~~further~~ compensation for their losses and for all expenses incurred together with interest **due to Buyers' proven breach. The Sellers shall have a right to deduct from the Downpayment all such claims for compensation as they are entitled to pursuant to this Clause 13. After the Sellers have made such deductions, the Sellers shall return the balance of the Downpayment to the Buyers.**~~

## 14. Sellers' default

~~Should the Sellers fail to give Notice of Readiness in accordance with Clause 5(b) or fail to be ready to validly complete a legal transfer by the Cancelling Date the Buyers shall have the option of cancelling this Agreement. If after Notice of Readiness has been given but before the Buyers have taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and new Notice of Readiness given, the Buyers shall retain their option to cancel **subject to Clause 5c above**. In the event that the Buyers elect to cancel this Agreement, the ~~Deposit~~ **Downpayment** together with interest ~~earned, if any~~ **as set out in line 33**, shall be ~~refunded~~ **released** to them immediately.~~

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Should the Sellers fail to give Notice of Readiness by the Cancelling Date or fail to be ready to validly complete a legal transfer as aforesaid they shall **be obliged to release the Downpayment including interest thereon to the Buyers, but otherwise not have any obligations towards the Buyers** ~~make due compensation to the Buyers for their loss and for all expenses together with interest if their failure is due to proven negligence and whether or not the Buyers cancel this Agreement.~~

## 15. Buyers' representatives

After this Agreement has been signed by the Parties and the ~~Deposit-Downpayment~~ has been ~~ledged~~paid, the Buyers shall at any time thereafter have the right to visit the Yard and inspect the work in progress and have the right to place two (2) representatives on ~~site~~board the Vessel at their sole risk and expense to work with and cooperate with the existing site management team. The Buyers' representatives shall have customary access to the Vessel, the Yard facilities and relevant shipbuilding documents and drawings as per customary practice and have the right to be present at all inspections, tests and sea trials and sea trial results.

The Sellers shall keep the Buyers well informed of any upcoming milestones and of any inspections and tests both at the Yard and with respect to subcontractors work, to ensure that the Buyers is able to attend the same. The Buyers shall attend as observers only, shall not interfere or obstruct the construction process and shall comply with the Sellers site managers instruction.

The Sellers shall make available customary office space at the Yard for the Buyers representatives if the Buyers so request. The Sellers shall make available for Buyers review all correspondence, notices and other documents related to technical (as opposed to commercial) matters under construction process and shall provide copies of the same upon the Buyers request.

~~These representatives are on board for the purpose of familiarisation and in the capacity of observers only, and they shall not interfere in any respect with the operation of the Vessel. The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation.~~

## 16. Law and Arbitration

(a) \*This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.

The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both Parties as if the sole arbitrator had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$100,000 the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

~~(b) \*This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the substantive law (not including the choice of law rules) of the State of New York and any dispute arising out of or in connection with this Agreement shall be referred to three (3) persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.~~

~~In cases where neither the claim nor any counterclaim exceeds the sum of US\$ 100,000 the~~

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~~arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc.~~

~~(e) This Agreement shall be governed by and construed in accordance with the laws of \_\_\_\_\_ (state place) and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at \_\_\_\_\_ (state place), subject to the procedures applicable there.~~

~~\*16(a), 16(b) and 16(c) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 16(a) shall apply.~~

## 17. Notices

All notices to be provided under this Agreement shall be in writing.

Contact details for recipients of notices are as follows:

For the Buyers: **FLEX LNG Aurora Limited**

**c/o FLEX LNG Management Ltd.  
Bryggegata 3  
0250 Oslo  
Norway**

**Attention: Øystein M. Kalleklev  
Email: Oystein.Kalleklev@seatankersmgt.com**

For the Sellers: **Sea Aurora Inc.,**

**c/o Seatankers Management Company Ltd.  
P.O. Box 53562,  
CY-3399 Limassol,  
Cyprus**

**(Deanna Beach Apartments, Block 1, 4th Floor,  
Promachon Eleftherias Street, Ayios Athanasios,  
CY-4013 Limassol,  
Cyprus)**

**Attention: Spyros Episkopou  
Telephone: +357 25 858 300  
Email: spyros.episkopou@seatankers.com.cy**

## 18. Entire Agreement

The written terms of this Agreement comprise the entire agreement between the Buyers and the Sellers in relation to the sale and purchase of the Vessel and supersede all previous agreements whether oral or written between the Parties in relation thereto.

Each of the Parties acknowledges that in entering into this Agreement it has not relied on and shall have no right or remedy in respect of any statement, representation, assurance or warranty (whether or not made negligently) other than as is expressly set out in this Agreement.

Any terms implied into this Agreement by any applicable statute or law are hereby excluded to the extent that such exclusion can legally be made. Nothing in this Clause shall limit or exclude any liability for fraud.

## 19. Attachment A

**Attachment A enclosed hereto constitute the full and complete specifications for the Vessel (Ref. No. LNFL174MT(XDF)-FS-P2) dated 25 January 2018 including suppliers list (the "Specifications") and the General Arrangement Plan (No. 1G-7000-201) dated 25 January 2018 (the "Plan") and forms and integral part of this Agreement.**

**20. Modifications, changes and extras**

**The Sellers shall not agree to any major amendments, modifications or changes to the Specifications and the Plan without the Buyers' prior written consent.**

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**Modifications or changes to the Specifications and the Plan (including SMR reliquification option) may be requested by the Buyers substantially on the terms set out in the Shipbuilding Contract and the Sellers shall take the necessary action to request such changes from the Builder. The Sellers agreement with the Builder in respect of any such changes or modifications in respect of which the Builder requires a change in the contract price, delivery date, Specifications or other terms of the Shipbuilding Contract shall be at Buyers cost and the delivery date under this Agreement shall be updated accordingly.**

**21. Termination of the Shipbuilding Contract**

**Should the Sellers be entitled to cancel the Shipbuilding Contract before delivery then they will inform the Buyers without delay and both Parties will then jointly decide how to progress with the situation at hand. The Sellers will not cancel the Shipbuilding Contract without prior consent of Buyers, such consent not to be unreasonably withheld.**

**22. Parent Company Guarantee**

**At the time of signing of this Agreement, the Buyers shall provide the Sellers with a performance guarantee in such form as attached hereto in Attachment E, duly executed by the Buyers' ultimate parent company, Flex LNG Ltd. (the "Guarantee").**

**The Guarantee shall apply in respect of all obligations assumed by the Buyers under this Agreement, but shall in all circumstances be limited to the Purchase Price plus accrued interest as applicable.**

**23. Building Supervision**

**The Purchase Price is inclusive the Sellers building supervision of the Vessel during the construction period.**

**24. Subjects**

**If for whatever reason the sale and leaseback transaction for the vessel FLEX Rainbow fails to obtain credit approval, the Buyer may cancel this Agreement in which case this Agreement shall terminate and neither of the Parties shall have any further rights or obligations against the other, save that the Seller shall within 5 Banking Days from the date of cancellation refund to the Buyer any Downpayment made by the Buyer to the Seller. This right of the Buyer to withdraw from the transaction cease on 15 July 2018 (unless the Parties have mutually agreed on a later drop dead date).**

For and on behalf of the Sellers

/s/ Spyros Episkopou  
Name: Spyros Episkopou  
Title: Director

For and on behalf of the Buyers

/s/ Marius Hermansen  
Name: Marius Hermansen  
Title: Attorney-in-Fact

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## MEMORANDUM OF AGREEMENT

Norwegian Shipbrokers' Association's  
Memorandum of Agreement for sale and  
purchase of ships. Adopted by BIMCO in 1956.  
Code-name  
**SALEFORM 2012**  
Revised 1966, 1983 and 1986/87, 1993 and 2012

Dated: **May 2018**

**Sea America Inc., a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands**

*(Name of sellers)*, hereinafter called the "Sellers", have agreed to sell, and

**FLEX LNG America Limited, a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands** *(Name of buyers)*, hereinafter called the "Buyers",

have agreed to buy: **The Vessel with hull no. 8011 currently under construction at Hyundai Samho Heavy Industries Co., Ltd. having their principal office at 93, Daebul-Ro, Samho-Eup, Yeongam-Gun, Jeollanam-Do, Korea (the "Builder")**

Name of vessel: **To be named "FLEX America"**

IMO Number: **TBA**

Classification Society: **DNV GL**

Class Notation: **+1A, Tanker for liquefied gas, Ship type 2G(-163°C, 500 kg/m3, 0.35bar), GF, E0, BIS, TMON, COAT-PSPC(B), CMON, LCS, BWM(T), Recyclable, ERS, NAUT(NAV), CLEAN, F(A, C)**

Year of Build: **As per Attachment A** Builder/Yard: **Hyundai Samho Heavy Industries Co., Ltd.**

Flag: **Marshall Islands** Place of Registration: **N/A** GT/NT: **As per Attachment A/\_\_\_\_\_**

hereinafter called the "Vessel", on the following terms and conditions:

### Definitions

**"Attachment A" means the Specifications and the General Arrangement Plan as attached to this Agreement (see Clause 19)**

**"Banking Days"** are days on which banks are open both in the country of the currency stipulated for the Purchase Price in Clause 1 (Purchase Price) and in the place of closing stipulated in Clause 8 (Documentation), ~~and Norway and South Korea~~ *(add additional jurisdictions as appropriate)*.

**"Buyers' Nominated Flag State"** means **Marshall Islands** *(state flag state)*.

**"Class"** means the class notation referred to above.

**"Classification Society"** means the Society referred to above.

**"Deposit Downpayment"** shall have the meaning given in Clause 2 (**Deposit Downpayment**)

**"Deposit Holder"** means \_\_\_\_\_ *(state name and location of Deposit Holder)* or, if left blank, the Sellers' Bank, which shall hold and release the Deposit in accordance with this Agreement.

**"In writing" or "written"** means a letter handed over from the Sellers to the Buyers or vice versa, a registered letter, e-mail or telefax.

**"Parties"** means the Sellers and the Buyers.

“Purchase Price” means the price for the Vessel as stated in Clause 1 (Purchase Price).

“Sellers’ Account” means **the bank account notified by the Sellers to the Buyers for the receipt of the Downpayment and the balance of the Purchase Price** (*state details of bank account*) at the Sellers’ ~~b~~Bank.

“Shipbuilding Contract” means **the shipbuilding contract for the construction of the Vessel entered into between the Builder and the Sellers on 6 March 2018. The Sellers shall not make any major amendments to the Shipbuilding Contract without the prior consent from the Buyers ref. Clause 20.**

“Sellers’ Bank” means \_\_\_\_\_ (*state name of bank, branch and details*) or, if left blank, the bank

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notified by the Sellers to the Buyers for receipt of the balance of the Purchase Price.

### 1. Purchase Price

The Purchase Price is **USD 184,000,000 (United States Dollars One Hundred Eighty Four Million** *(state currency and amount both in words and figures)*.

### 2. ~~Deposit~~Downpayment

As security for the correct fulfilment of this Agreement the Buyers shall ~~ledge a deposit~~**make a downpayment of 20% (twenty per cent) i.e. USD 36,800,000 (United States Dollars Thirty Six Million Eight Hundred Thousand)** ~~or, if left blank, 10% (ten per cent),~~ of the Purchase Price (the "~~Deposit~~**Downpayment**") ~~to the Sellers' Account in an interest-bearing account for the Parties with the 33~~ ~~Deposit Holder~~ within three (3) Banking Days after the date that:

(i) this Agreement has been signed by the Parties and exchanged in original or by e-mail or telefax **(or such other date as the Parties may agree)**.

**As security for the Sellers' obligation to repay the Downpayment in the event that this Agreement is cancelled by the Buyers in accordance with the terms of this Agreement, the Sellers shall provide Buyers with an irrevocable letter of guarantee issued by Blue Sea Navigation Holding Inc., in form and substance as annexed hereto as Attachment D at the time of signing of this Agreement.**

~~;~~ and

(ii) ~~the Deposit Holder has confirmed in writing to the Parties that the account has been opened.~~

~~The Deposit shall be released in accordance with joint written instructions of the Parties. Interest, if any, shall be credited to the Buyers. Any fee charged for holding and releasing the Deposit shall be borne equally by the Parties. The Parties shall provide to the Deposit Holder all necessary documentation to open and maintain the account without delay.~~

### 3. Payment

On delivery of the Vessel, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices):

(i) ~~the Deposit shall be released to the Sellers;~~ and

(ii) the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this Agreement shall be paid in full free of bank charges to the Sellers' Account.

**Notwithstanding the above, the Buyers and the Sellers will work together to effect a simultaneous payment under this Agreement and the balance payment of the installment payable on delivery of the Vessel from the Builder to the Sellers, by use of the same funds if deemed practical by the Parties.**

### 4. Inspection

(a)\* ~~The Buyers have inspected and accepted Attachment A and the Buyers shall accept the Vessel upon the Vessels completion according to Attachment A.~~ ~~the Vessel's classification records. The Buyers have also inspected the Vessel at/in \_\_\_\_\_ (state place) on \_\_\_\_\_ (state date) and have accepted the Vessel following this inspection and the sale is outright and definite, subject only to the terms and conditions of this Agreement.~~

(b)\* ~~The Buyers shall have the right to inspect the Vessel's classification records and declare whether same are accepted or not within \_\_\_\_\_ (state date/period).~~

~~The Sellers shall make the Vessel available for inspection at/in \_\_\_\_\_ (state place/range) within \_\_\_\_\_ (state date/period).~~

~~The Buyers shall undertake the inspection without undue delay to the Vessel. Should the Buyers cause undue delay they shall compensate the Sellers for the losses thereby incurred.~~



~~The Buyers shall inspect the Vessel without opening up and without cost to the Sellers.~~

~~During the inspection, the Vessel's deck and engine log books shall be made available for examination by the Buyers.~~

~~The sale shall become outright and definite, subject only to the terms and conditions of this~~

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Agreement, provided that the Sellers receive written notice of acceptance of the Vessel from the Buyers within seventy-two (72) hours after completion of such inspection or after the date/last day of the period stated in Line 59, whichever is earlier.

Should the Buyers fail to undertake the inspection as scheduled and/or notice of acceptance of the Vessel's classification records and/or of the Vessel not be received by the Sellers as aforesaid, the Deposit together with interest earned, if any, shall be released immediately to the Buyers, whereafter this Agreement shall be null and void.

*\*4(a) and 4(b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 4(a) shall apply.*

## 5. Time and place of delivery and notices

(a) The Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage at/in **Yeongam, South Korea as per Attachment A** (*state place/range*) in the Sellers' option **simultaneously with delivery from Builder to the Sellers. The agreed Notice of Readiness shall not be tendered before: \_\_\_\_\_ (date) Delivery Date as per the Shipbuilding Contract is 31 August 2020 ("Agreed Delivery Date"). The Builder has the right to deliver the Vessel to the Buyers up to two (2) months earlier than the Agreed Delivery Date.**

Cancelling Date (see Clauses 5(c), 6 (a)(i), 6 (a) (iii) and 14): \_\_\_\_\_

(b) The Sellers shall keep the Buyers well informed of the Vessel's **construction progress and shall provide the Buyers with approximate notices of the date the Sellers intend to tender Notice of Readiness** itinerary and shall provide the Buyers with twenty (20), ten (10), five (5) and three (3) days' notice of the date the Sellers intend to tender Notice of Readiness and of the intended place of delivery.

When the Vessel is **completed in accordance with Attachment A** at the place of delivery and physically 83 ready for delivery in accordance with this Agreement, the Sellers shall give the Buyers a written Notice of Readiness for delivery.

**If the Vessel is delayed and the Sellers receive liquidated damages due to delay under the Shipbuilding Contract, the Purchase Price shall be reduced accordingly with a corresponding amount (see Attachment C)**

**Cancelling Date (see Clauses 5(c) and 14): The Cancelling Date under this Agreement shall correspond with the cancelling date under the Shipbuilding Contract.**

(c) If the Sellers anticipate that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date they may notify the Buyers in writing stating the date when they anticipate that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyers shall have the option of either cancelling this Agreement in accordance with Clause 14 (Sellers' Default) within three (3) Banking Days of receipt of the notice or of accepting the new date as the new Cancelling Date.

If the Buyers have not declared their option within three (3) Banking Days of receipt of the Sellers' notification or if the Buyers accept the new date, the date proposed in the Sellers' notification shall be deemed to be the new Cancelling Date and shall be substituted for the Cancelling Date stipulated in line 79.

If this Agreement is maintained with the new Cancelling Date all other terms and conditions hereof including those contained in Clauses 5(b) and 5(d) shall remain unaltered and in full force and effect.

(d) Cancellation, failure to cancel or acceptance of the new Cancelling Date shall be entirely without prejudice to any claim for damages the Buyers may have under Clause 14 (Sellers' Default) for the Vessel not being ready by the original Cancelling Date.

(e) Should the Vessel become an actual, constructive or compromised total loss before delivery the **Deposit-Downpayment** together with interest **as set out in line 33** earned, if any, shall be released immediately to the Buyers whereafter this Agreement shall be null and void.

## 6. Divers Inspection / Drydocking – N/A

(a)\*

(i) ~~The Buyers shall have the option at their cost and expense to arrange for an underwater inspection by a diver approved by the Classification Society prior to the delivery of the Vessel. Such option shall be declared latest nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this~~

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Agreement. The Sellers shall at their cost and expense make the Vessel available for such inspection. This inspection shall be carried out without undue delay and in the presence of a Classification Society surveyor arranged for by the Sellers and paid for by the Buyers. The Buyers' representative(s) shall have the right to be present at the diver's inspection as observer(s) only without interfering with the work or decisions of the Classification Society surveyor. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the Classification Society. If the conditions at the place of delivery are unsuitable for such inspection, the Sellers shall at their cost and expense make the Vessel available at a suitable alternative place near to the delivery port, in which event the Cancelling Date shall be extended by the additional time required for such positioning and the subsequent re-positioning. The Sellers may not tender Notice of Readiness prior to completion of the underwater inspection.

(ii) If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, then (1) unless repairs can be carried out afloat to the satisfaction of the Classification Society, the Sellers shall arrange for the Vessel to be drydocked at their expense for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules (2) such defects shall be made good by the Sellers at their cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\* and (3) the Sellers shall pay for the underwater inspection and the Classification Society's attendance.

Notwithstanding anything to the contrary in this Agreement, if the Classification Society do not require the aforementioned defects to be rectified before the next class drydocking survey, the Sellers shall be entitled to deliver the Vessel with these defects against a deduction from the Purchase Price of the estimated direct cost (of labour and materials) of carrying out the repairs to the satisfaction of the Classification Society, whereafter the Buyers shall have no further rights whatsoever in respect of the defects and/or repairs. The estimated direct cost of the repairs shall be the average of quotes for the repair work obtained from two reputable independent shipyards at or in the vicinity of the port of delivery, one to be obtained by each of the Parties within two (2)

Banking Days from the date of the imposition of the condition/recommendation, unless the Parties agree otherwise. Should either of the Parties fail to obtain such a quote within the stipulated time then the quote duly obtained by the other Party shall be the sole basis for the estimate of the direct repair costs. The Sellers may not tender Notice of Readiness prior to such estimate having been established.

(iii) If the Vessel is to be drydocked pursuant to Clause 6(a)(ii) and no suitable dry-docking facilities are available at the port of delivery, the Sellers shall take the Vessel to a port where suitable drydocking facilities are available, whether within or outside the delivery range as per Clause 5(a). Once drydocking has taken place the Sellers shall deliver the Vessel at a port within the delivery range as per Clause 5(a) which shall, for the purpose of this Clause, become the new port of delivery. In such event the Cancelling Date shall be extended by the additional time required for the drydocking and extra steaming, but limited to a maximum of fourteen (14) days.

(b)\* The Sellers shall place the Vessel in drydock at the port of delivery for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules. If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, such defects shall be made good at the Sellers' cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\*. In such event the Sellers are also to pay for the costs and expenses in connection with putting the Vessel in and taking her out of drydock, including the drydock dues and the Classification Society's fees. The Sellers shall also pay for these costs and expenses if parts of the tailshaft system are condemned or found defective or broken so as to affect the Vessel's class. In all other cases, the Buyers shall pay the aforesaid costs and expenses, dues and fees.

(c) If the Vessel is drydocked pursuant to Clause 6 (a)(ii) or 6 (b) above:

(i) The Classification Society may require survey of the tailshaft system, the extent of the survey being to the satisfaction of the Classification Society surveyor. If such survey is not required by the Classification Society, the Buyers shall have the option to require the tailshaft to be drawn and surveyed by the Classification Society, the extent of the survey being in accordance with the Classification Society's rules for tailshaft survey and consistent with the current stage of the Vessel's survey cycle. The Buyers shall declare

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whether they require the tailshaft to be drawn and surveyed not later than by the completion of the inspection by the Classification Society. The drawing and refitting of the tailshaft shall be arranged by the Sellers. Should any parts of the tailshaft system be condemned or found defective so as to affect the Vessel's class, those parts shall be renewed or made good at the Sellers' cost and expense to the satisfaction of Classification Society without condition/recommendation\*\*.

(ii) The costs and expenses relating to the survey of the tailshaft system shall be borne by the Buyers unless the Classification Society requires such survey to be carried out or if parts of the system are condemned or found defective or broken so as to affect the Vessel's class, in which case the Sellers shall pay these costs and expenses.

(iii) The Buyers' representative(s) shall have the right to be present in the drydock, as observer(s) only without interfering with the work or decisions of the Classification Society surveyor.

(iv) The Buyers shall have the right to have the underwater parts of the Vessel cleaned and painted at their risk, cost and expense without interfering with the Sellers' or the Classification Society surveyor's work, if any, and without affecting the Vessel's timely delivery. If, however, the Buyers' work in drydock is still in progress when the Sellers have completed the work which the Sellers are required to do, the additional docking time needed to complete the Buyers' work shall be for the Buyers' risk, cost and expense. In the event that the Buyers' work requires such additional time, the Sellers may upon completion of the Sellers' work tender Notice of Readiness for delivery whilst the Vessel is still in drydock and, notwithstanding Clause 5(a), the Buyers shall be obliged to take delivery in accordance with Clause 3 (Payment), whether the Vessel is in drydock or not.

*\*6 (a) and 6 (b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 6 (a) shall apply.*

*\*\*Notes or memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/ recommendation are not to be taken into account.*

## 7. Spares, bunkers and other items

The Sellers shall deliver the Vessel to the Buyers with everything belonging to her on board and on shore **as per Attachment A**. All spare parts and spare equipment including spare tail-end shaft(s) and/or spare propeller(s)/propeller blade(s), if any, ~~belonging to the Vessel at the time of inspection~~ **ordered separately by the Buyers during construction (i.e. not being part of the Specification)** used or unused, whether on board or not shall become the Buyers' property, ~~but together with spares on order are excluded~~ **shall be included in the sale and the Buyers shall pay the actual net price to the Sellers**. Forwarding charges, if any, shall be for the Buyers' account. The Sellers are not required to replace spare parts including spare tail-end shaft(s) and spare propeller(s)/propeller blade(s) which are taken out of spare and used as replacement prior to delivery, but the replaced items shall be the property of the Buyers. Unused stores and provisions shall be included in the sale and be taken over by the Buyers without extra payment.

Library and forms exclusively for use in the Sellers' vessel(s) and captain's, officers' and crew's personal belongings including the slop chest are excluded from the sale without compensation, as well as the following additional items: \_\_\_\_\_ *(include list)*

Items on board which are on hire or owned by third parties, listed as follows, are excluded from the sale without compensation: \_\_\_\_\_ *(include list)*

Items on board at the time of inspection which are on hire or owned by third parties, not listed above, shall be replaced or procured by the Sellers prior to delivery at their cost and expense.

The Buyers shall take over remaining bunkers and unused lubricating and hydraulic oils and greases in storage tanks and unopened drums **and fuel oil, LNG, other liquefied gases, fresh water or consumable stores which are on board the Vessel at the time of delivery** and pay either:

(a) \*the actual net price (excluding barging expenses) as evidenced by invoices or vouchers; or

(b) \*the current net market price (excluding barging expenses) at the port and date of delivery of the Vessel or, if unavailable, at the nearest bunkering port, for the quantities taken over.

Payment under this Clause shall be made at the same time and place and in the same currency as the Purchase Price.

"inspection" in this Clause 7, shall mean the Buyers' inspection according to Clause 4(a) or 4(b)

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(Inspection), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*(a) and (b) are alternatives, delete whichever is not applicable. In the absence of deletions alternative (a) shall apply.*

## 8. Documentation

The place of closing: **At the Builder's shipyard in Yeongam, South Korea or such other place as the Parties may agree**

(a) In exchange for payment of the Purchase Price the Sellers shall provide the Buyers with the following delivery documents:

(i) Legal Bill(s) of Sale in a form recordable in the Buyers' Nominated Flag State, transferring title of the Vessel and stating that the Vessel is free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, duly notarially attested and legalised or apostilled, as required by the Buyers' Nominated Flag State;

(ii) Evidence that all necessary corporate, shareholder and other action has been taken by the Sellers to authorise the execution, delivery and performance of this Agreement;

(iii) Power of Attorney of the Sellers appointing one or more representatives to act on behalf of the Sellers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate);

(iv) **Protocol of Delivery and Acceptance signed by the Builder and the Sellers, to be countersigned by the Buyers, and Builders' Certificate issued to the Sellers by the Builder, both duly notarially attested and legalized Certificate or Transcript of Registry issued by the competent authorities of the flag state on the date of delivery evidencing the Sellers' ownership of the Vessel and that the Vessel is free from registered encumbrances and mortgages, to be faxed or e-mailed by such authority to the closing meeting with the original to be sent to the Buyers as soon as possible after delivery of the Vessel;**

(v) **Class Certificates in form as required to be delivered by the Builder to the Sellers as per Attachment A Declaration of Class or (depending on the Classification Society) a Class Maintenance Certificate issued within three (3) Banking Days prior to delivery confirming that the Vessel is in Class free of condition/recommendation;**

(vi) **A statement from the Sellers in a form acceptable to the Buyers' nominated ship registry, stating that the Vessel has never been registered in any ship registry. Certificate of Deletion of the Vessel from the Vessel's registry or other official evidence of deletion appropriate to the Vessel's registry at the time of delivery, or, in the event that the registry does not as a matter of practice issue such documentation immediately, a written undertaking by the Sellers to effect deletion from the Vessel's registry forthwith and provide a certificate or other official evidence of deletion to the Buyers promptly and latest within four (4) weeks after the Purchase Price has been paid and the Vessel has been delivered;**

(vii) **A copy of the Vessel's Continuous Synopsis Record certifying the date on which the Vessel ceased to be registered with the Vessel's registry, or, in the event that the registry does not as a matter of practice issue such certificate immediately, a written undertaking from the Sellers to provide the copy of this certificate promptly upon it being issued together with evidence of submission by the Sellers of a duly executed Form 2 stating the date on which the Vessel shall cease to be registered with the Vessel's registry;**

(viii) Commercial Invoice for the Vessel;

(ix) Commercial Invoice(s) for bunkers, lubricating and hydraulic oils and greases;

(x) **A copy of the Sellers' letter to their satellite communication provider cancelling the Vessel's communications contract which is to be sent immediately after delivery of the Vessel;**

(xi) Any additional documents **as listed in Attachment A and/or** as may reasonably be required by the competent authorities of the Buyers' Nominated Flag State for the purpose of registering the Vessel, provided the Buyers notify the Sellers of any such documents as soon as possible after the date of this Agreement; and

(xii) ~~The Sellers' letter of confirmation that to the best of their knowledge, the Vessel is not~~

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- (xi) ~~black listed by any nation or international organisation.~~
- (xiii) **A copy of the sea trial results duly approved by the Classification Society as per Attachment A**
- (xiv) **An assignment in favour of the Buyers assigning all warranties of the Builder towards the Sellers (such warranty is attached to this Agreement in Attachment B) and also an assignment of any warranty or service or spare part arrangement that a maker or subcontractor has provided to the Sellers directly.**
- (b) At the time of delivery the Buyers shall provide the Sellers with:
- (i) Evidence that all necessary corporate, shareholder and other action has been taken by the Buyers to authorise the execution, delivery and performance of this Agreement; and
- (ii) Power of Attorney of the Buyers appointing one or more representatives to act on behalf of the Buyers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate).
- (c) If any of the documents listed in Sub-clauses (a) and (b) above are not in the English language they shall be accompanied by an English translation by an authorised translator or certified by a lawyer qualified to practice in the country of the translated language.
- (d) The Parties shall to the extent possible exchange copies, drafts or samples of the documents listed in Sub-clause (a) and Sub-clause (b) above for review and comment by the other party not later than **3 days** (*state number of days*), or if left blank, **nine (9) days** prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement.
- (e) Concurrent with the exchange of documents in Sub-clause (a) and Sub-clause (b) above, the Sellers shall also hand to the Buyers the classification certificate(s) as well as all plans, drawings and manuals, (excluding ISM/ISPS manuals), which are on board the Vessel. Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers have the right to take copies.
- (f) Other technical documentation which may be in the Sellers' possession shall promptly after delivery be forwarded to the Buyers at their expense, if they so request. ~~The Sellers may keep the Vessel's log books but the Buyers have the right to take copies of same.~~
- (g) The Parties shall sign and deliver to each other a Protocol of Delivery and Acceptance confirming the date and time of delivery of the Vessel from the Sellers to the Buyers.

## **9. Encumbrances**

The Sellers warrant that the Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts whatsoever, and is not subject to Port State or other administrative detentions. The Sellers hereby undertake to indemnify the Buyers against all consequences of claims made against the Vessel which have been incurred prior to the time of delivery.

## **10. Taxes, fees and expenses**

Any taxes, fees and expenses in connection with the purchase and registration in the Buyers' Nominated Flag State shall be for the Buyers' account, ~~whereas similar charges in connection with the closing of the Sellers' register shall be for the Sellers' account.~~

## **11. Condition on delivery**

The Vessel with everything belonging to her shall be at the Sellers' risk and expense until she is delivered to the Buyers, but subject to the terms and conditions of this Agreement she shall be **delivered and taken over as per Attachment A with new Class certificates, free of damage affecting the Vessel's Class and with her Class and national certificates valid and duly executed without condition/recommendation by the relevant authorities at the time of delivery.**

**Notwithstanding the above, the Buyers shall be required to accept the Vessel if the Sellers is required to accept the Vessel and take delivery of the Vessel from the Builder pursuant to the Shipbuilding Contract. As such;**

**The Buyers shall not unreasonably reject the Vessel because of minor or insubstantial defect or non-conformity judged from the viewpoint of generally accepted good shipbuilding practice which do not result in condition/recommendation from Class, do not affect the seaworthiness of the**

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Vessel and which do not adversely affect the trading of the Vessel, provided that the Buyer, the Sellers and the Builder have agreed in writing that a time schedule following delivery of the Vessel within such non-conformities will be corrected by the Builder.

Notwithstanding the above, the Buyers shall not be entitled to refuse delivery by reason only of a deficiency in the Vessel's guaranteed speed and/or fuel consumption and/or the guaranteed cargo capacity and/or the guaranteed boil-off rate, unless the Sellers in its capacity as buyers under the Shipbuilding Contract is entitled to reject delivery vis-a-vis the Builder. If any such deficiencies exceed limits, the Buyers shall be entitled to deduct from the Purchase Price such amounts as the Sellers is entitled to deduct from the contract price under the Shipbuilding Contract vis-a-vis the Builder. An extract of the guaranteed speed, fuel consumption, guaranteed cargo capacity and boil-off rate provision under the Shipbuilding Contract is attached to this Agreement in Attachment C.

After completion of sea trials and the gas trials (as per the Shipbuilding Contract) and receipt by the Buyers of a copy of the Builders notice for delivery, the Buyers shall, within 1 day after receipt of such notice, notify the Sellers of its intended acceptance or rejection of the Vessel on the basis of its conformity with the requirements of Attachment A.

she was at the time of inspection, fair wear and tear excepted.

However, the Vessel shall be delivered free of cargo and free of stowaways with her Class maintained without condition/~~recommendation\*~~, free of average damage affecting the Vessel's class, and with her classification certificates and national certificates, as well as all other certificates the Vessel had at the time of inspection, valid and unextended without condition/~~recommendation\*~~ by the Classification Society or the relevant authorities at the time of delivery.

"inspection" in this Clause 11, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspections), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*Notes and memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/~~recommendation~~ are not to be taken into account.*

## 12. Name/markings

The Vessel shall be delivered by the Sellers to the Buyers with the Buyers' name and funnel marking. Upon delivery the Buyers undertake to change the name of the Vessel and alter funnel markings.

## 13. Buyers' default

Should the ~~Deposit~~ **Downpayment** not be lodged ~~paid~~ in accordance with Clause 2 (~~Deposit~~ **Downpayment**), the Sellers have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest. Should the Purchase Price not be paid in accordance with Clause 3 (Payment), the Sellers have the right to cancel this Agreement, in which case ~~the Deposit together with interest earned, if any, shall be released to the Sellers.~~ If the ~~Deposit~~ does not cover their loss, the Sellers shall be entitled to claim ~~further~~ compensation for their losses and for all expenses incurred together with interest **due to Buyers' proven breach. The Sellers shall have a right to deduct from the Downpayment all such claims for compensation as they are entitled to pursuant to this Clause 13. After the Sellers have made such deductions, the Sellers shall return the balance of the Downpayment to the Buyers.**

## 14. Sellers' default

Should the Sellers fail to give Notice of Readiness in accordance with Clause 5(b) or fail to be ready to validly complete a legal transfer by the Cancelling Date the Buyers shall have the option of cancelling this Agreement. If after Notice of Readiness has been given but before the Buyers have taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and new Notice of Readiness given, the Buyers shall retain their option to cancel **subject to Clause 5c above**. In the event that the Buyers elect to cancel this Agreement, the ~~Deposit~~ **Downpayment** together with interest ~~earned, if any~~ **as set out in line 33**, shall be ~~refunded~~ **released** to them immediately.

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Should the Sellers fail to give Notice of Readiness by the Cancelling Date or fail to be ready to validly complete a legal transfer as aforesaid they shall **be obliged to release the Downpayment including interest thereon to the Buyers, but otherwise not have any obligations towards the Buyers** ~~make due compensation to the Buyers for their loss and for all expenses together with interest if their failure is due to proven negligence and whether or not the Buyers cancel this Agreement.~~

## 15. Buyers' representatives

After this Agreement has been signed by the Parties and the ~~Deposit~~ **Downpayment** has been ~~ledged~~ **paid**, the Buyers shall at any time thereafter have the right to visit the Yard and inspect the work in progress and have the right to place ~~two (2)~~ representatives on ~~site~~ ~~board the Vessel~~ at their sole risk and expense to work with and cooperate with the existing site management team. The Buyers' representatives shall have customary access to the Vessel, the Yard facilities and relevant shipbuilding documents and drawings as per customary practice and have the right to be present at all inspections, tests and sea trials and sea trial results.

The Sellers shall keep the Buyers well informed of any upcoming milestones and of any inspections and tests both at the Yard and with respect to subcontractors work, to ensure that the Buyers is able to attend the same. The Buyers shall attend as observers only, shall not interfere or obstruct the construction process and shall comply with the Sellers site managers instruction.

The Sellers shall make available customary office space at the Yard for the Buyers representatives if the Buyers so request. The Sellers shall make available for Buyers review all correspondence, notices and other documents related to technical (as opposed to commercial) matters under construction process and shall provide copies of the same upon the Buyers request.

~~These representatives are on board for the purpose of familiarisation and in the capacity of observers only, and they shall not interfere in any respect with the operation of the Vessel. The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation.~~

## 16. Law and Arbitration

(a) \*This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.

The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both Parties as if the sole arbitrator had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$100,000 the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

~~(b) \*This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the substantive law (not including the choice of law rules) of the State of New York and any dispute arising out of or in connection with this Agreement shall be referred to three (3) persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.~~

~~In cases where neither the claim nor any counterclaim exceeds the sum of US\$ 100,000 the~~

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~~arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc.~~

~~(e) This Agreement shall be governed by and construed in accordance with the laws of \_\_\_\_\_ (state place) and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at \_\_\_\_\_ (state place), subject to the procedures applicable there.~~

~~\*16(a), 16(b) and 16(c) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 16(a) shall apply.~~

## 17. Notices

All notices to be provided under this Agreement shall be in writing.

Contact details for recipients of notices are as follows:

For the Buyers: **FLEX LNG America Limited**

**c/o FLEX LNG Management Ltd.  
Bryggegata 3  
0250 Oslo  
Norway**

**Attention: Øystein M. Kalleklev  
Email: Oystein.Kalleklev@seatankersmgt.com**

For the Sellers: **Sea America Inc.,**

**c/o Seatankers Management Company Ltd.  
P.O. Box 53562,  
CY-3399 Limassol,  
Cyprus**

**(Deanna Beach Apartments, Block 1, 4th Floor,  
Promachon Eleftherias Street, Ayios Athanasios,  
CY-4013 Limassol,  
Cyprus)**

**Attention: Spyros Episkopou  
Telephone: +357 25 858 300  
Email: spyros.episkopou@seatankers.com.cy**

## 18. Entire Agreement

The written terms of this Agreement comprise the entire agreement between the Buyers and the Sellers in relation to the sale and purchase of the Vessel and supersede all previous agreements whether oral or written between the Parties in relation thereto.

Each of the Parties acknowledges that in entering into this Agreement it has not relied on and shall have no right or remedy in respect of any statement, representation, assurance or warranty (whether or not made negligently) other than as is expressly set out in this Agreement.

Any terms implied into this Agreement by any applicable statute or law are hereby excluded to the extent that such exclusion can legally be made. Nothing in this Clause shall limit or exclude any liability for fraud.

## 19. Attachment A

**Attachment A enclosed hereto constitute the full and complete specifications for the Vessel (Ref. No. LNFL174MT(XDF)-FS-P2) dated 25 January 2018 including suppliers list (the "Specifications") and the General Arrangement Plan (No. 1G-7000-201) dated 25 January 2018 (the "Plan") and forms and integral part of this Agreement.**

**20. Modifications, changes and extras**

**The Sellers shall not agree to any major amendments, modifications or changes to the**

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Specifications or the Plan without the Buyers' prior written consent.

Modifications or changes to the Specifications and the Plan (including SMR reliquification option) may be requested by the Buyers substantially on the terms set out in the Shipbuilding Contract and the Sellers shall take the necessary action to request such changes from the Builder. The Sellers agreement with the Builder in respect of any such changes or modifications in respect of which the Builder requires a change in the contract price, delivery date, Specifications or other terms of the Shipbuilding Contract shall be at Buyers cost and the delivery date under this Agreement shall be updated accordingly.

**21. Termination of the Shipbuilding Contract**

Should the Sellers be entitled to cancel the Shipbuilding Contract before delivery then they will inform the Buyers without delay and both Parties will then jointly decide how to progress with the situation at hand. The Sellers will not cancel the Shipbuilding Contract without prior consent of Buyers, such consent not to be unreasonably withheld.

**22. Parent Company Guarantee**

At the time of signing of this Agreement, the Buyers shall provide the Sellers with a performance guarantee in such form as attached hereto in Attachment E, duly executed by the Buyers' ultimate parent company, Flex LNG Ltd. (the "Guarantee").

The Guarantee shall apply in respect of all obligations assumed by the Buyers under this Agreement, but shall in all circumstances be limited to the Purchase Price plus accrued interest as applicable.

**23. Building Supervision** The Purchase Price is inclusive of the Sellers building supervision of the Vessel during the construction period.

**24. Subjects**

If for whatever reason the sale and leaseback transaction for the vessel FLEX Rainbow fails to obtain credit approval, the Buyer may cancel this Agreement in which case this Agreement shall terminate and neither of the Parties shall have any further rights or obligations against the other, save that the Seller shall within 5 Banking Days from the date of cancellation refund to the Buyer any Downpayment made by the Buyer to the Seller. This right of the Buyer to withdraw from the transaction cease on 15 July 2018 (unless the Parties have mutually agreed on a later drop dead date).

For and on behalf of the Sellers

/s/ Spyros Episkopou  
Name: Spyros Episkopou  
Title: Director

For and on behalf of the Buyers

/s/ Marius Hermansen  
Name: Marius Hermansen  
Title: Attorney-in-Fact

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## MEMORANDUM OF AGREEMENT

<p>Norwegian Shipbrokers' Association's Memorandum of Agreement for sale and purchase of ships. Adopted by BIMCO in 1956. Code-name <b>SALEFORM 2012</b> Revised 1966, 1983 and 1986/87, 1993 and 2012</p>
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Dated: **15 October 2018**

**Sea Freedom Shipowning Inc.**, a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands (*Name of sellers*), hereinafter called the “Sellers”, have agreed to sell, and

**Flex Freedom Limited**, a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands (*Name of buyers*), hereinafter called the “Buyers”,

have agreed to buy: **The Vessel with hull no. 2492 currently under construction at the premises of Daewoo Shipbuilding and Marine Engineering Co. Ltd. (the “Builder”) in Okpo, Geoje Island, South Korea**

Name of vessel: **To be named “FLEX Freedom”**IMO Number: **TBA**Classification Society: **DNV GL**Class Notation: **As per Attachment A**Year of Build: **As per Attachment A  
and Marine Engineering Co. Ltd.**Builder/Yard: **Daewoo Shipbuilding**Flag: **Marshall Islands** Place of Registration: **N/A**GT/NT: **As per Attachment A/ \_\_\_\_\_**

hereinafter called the “Vessel”, on the following terms and conditions:

**Definitions**

“Attachment A” is the Shipbuilding Contract (as defined below). The Specification, the General Arrangement Plan and the Supplier List for the Vessel are an integral part of the Shipbuilding Contract.

“Attachment B” is the form of an irrevocable letter of guarantee to be issued by Blue Sea Navigation Holding Inc. pursuant to Clause 2.

“Attachment C” is the form of a performance guarantee to be issued by the Buyers’ ultimate parent company, Flex LNG Ltd. pursuant to Clause 21.

“Banking Days” are days on which banks are open both in the country of the currency stipulated for the Purchase Price in Clause 1 (Purchase Price) and in the place of closing stipulated in Clause 8 (Documentation), ~~and Norway and South Korea~~ (*add additional jurisdictions as appropriate*).

“Buyers’ Nominated Flag State” means **Marshall Islands** (*state flag state*).

“Class” means the class notation referred to above.

“Classification Society” means the Society referred to above.

“~~Deposit~~**Downpayment**” shall have the meaning given in Clause 2 (~~Deposit~~**Downpayment**)

“~~Deposit Holder~~” means \_\_\_\_\_ (*state name and location of Deposit Holder*) or, if left blank, the Sellers’ Bank, which shall hold and release the ~~Deposit~~ in accordance with this Agreement.

“In writing” or “written” means a letter handed over from the Sellers to the Buyers or vice versa, a registered letter, e-mail or telefax.

“Parties” means the Sellers and the Buyers.

“Purchase Price” means the price for the Vessel as stated in Clause 1 (Purchase Price).

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“Sellers’ Account” means **the bank account notified by the Sellers to the Buyers for the receipt of the Downpayment and the balance of the Purchase Price** (*state details of bank account*) at the Sellers’ bBank.

“Shipbuilding Contract” means the shipbuilding contract for the construction of the Vessel entered into between the Builder and the Sellers on 5 July 2018. The Sellers shall not make any major amendments to the Shipbuilding Contract without the prior consent from the Buyers ref. Clause 19. “Sellers’ Bank” means \_\_\_\_\_ (*state name of bank, branch and details*) or, if left blank, the bank notified by the Sellers to the Buyers for receipt of the balance of the Purchase Price.

## 1. Purchase Price

The Purchase Price is **USD 180,000,000 (United States Dollars One Hundred Eighty Million) plus USD 6,000,000 (United States Dollars Six Million) for the Full Re-liquefaction System (Burckhardt basis) as agreed between Sellers and Buyers** (*state currency and amount both in words and figures*).

## 2. Deposit Downpayment

As security for the correct fulfilment of this Agreement the Buyers shall ~~make a downpayment of 30% (thirty per cent) i.e. USD 55,800,000 (United States Dollars Fifty Five Million Eight Hundred Thousand) or, if left blank, 10% (ten per cent), of the Purchase Price (the “Deposit Downpayment”) to the Sellers’ Account in an interest-bearing account for the Parties with the Deposit Holder within three (3) Banking Days after the date that~~ **make a downpayment of 30% (thirty per cent) i.e. USD 55,800,000 (United States Dollars Fifty Five Million Eight Hundred Thousand) or, if left blank, 10% (ten per cent), of the Purchase Price (the “Deposit Downpayment”) to the Sellers’ Account in an interest-bearing account for the Parties with the Deposit Holder within three (3) Banking Days after the date that** later of:

- (i) this Agreement has been signed by the Parties and exchanged in original or by e-mail or telefax; and
- (ii) **FLEX LNG Ltd. having received the proceeds from its contemplated private placement**

(or such other date as the Parties may agree).

As security for the Sellers’ obligation to repay the Downpayment in the event that this Agreement is cancelled by the Buyers in accordance with the terms of this Agreement, the Sellers shall provide Buyers with an irrevocable letter of guarantee issued by Blue Sea Navigation Holding Inc., in form and substance as annexed hereto as Attachment B at the time of signing of this Agreement.

;  
and  
(ii) the Deposit Holder has confirmed in writing to the Parties that the account has been opened. The Deposit shall be released in accordance with joint written instructions of the Parties. Interest, if any, shall be credited to the Buyers. Any fee charged for holding and releasing the Deposit shall be borne equally by the Parties. The Parties shall provide to the Deposit Holder all necessary documentation to open and maintain the account without delay.

## 3. Payment

On delivery of the Vessel, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices):

- (i) ~~the Deposit shall be released to the Sellers; and~~
- (ii) the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this Agreement shall be paid in full free of bank charges to the Sellers’ Account.

**Notwithstanding the above, the Buyers and the Sellers will work together to effect a simultaneous payment under this Agreement and the balance payment of the installment payable on delivery of the Vessel from the Builder to the Sellers, by use of the same funds if deemed practical by the Parties.**

## 4. Inspection

(a)\* The Buyers have inspected and accepted **Attachment A and the Buyers shall accept the Vessel upon the Vessels completion according to Attachment A.** ~~the Vessel’s classification records.~~ The Buyers have also inspected the Vessel at/in \_\_\_\_\_ (*state place*) on \_\_\_\_\_ (*state date*) and have

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accepted the Vessel following this inspection and the sale is outright and definite, subject only to the terms and conditions of this Agreement.

**(b)\*** The Buyers shall have the right to inspect the Vessel's classification records and declare whether same are accepted or not within \_\_\_\_\_ (state date/period).

The Sellers shall make the Vessel available for inspection at/in \_\_\_\_\_ (state place/range) within \_\_\_\_\_ (state date/period).

The Buyers shall undertake the inspection without undue delay to the Vessel. Should the Buyers cause undue delay they shall compensate the Sellers for the losses thereby incurred.

The Buyers shall inspect the Vessel without opening up and without cost to the Sellers.

During the inspection, the Vessel's deck and engine log books shall be made available for examination by the Buyers.

The sale shall become outright and definite, subject only to the terms and conditions of this Agreement, provided that the Sellers receive written notice of acceptance of the Vessel from the Buyers within seventy-two (72) hours after completion of such inspection or after the date/last day of the period stated in Line 59, whichever is earlier.

Should the Buyers fail to undertake the inspection as scheduled and/or notice of acceptance of the Vessel's classification records and/or of the Vessel not be received by the Sellers as aforesaid, the Deposit together with interest earned, if any, shall be released immediately to the Buyers, whereafter this Agreement shall be null and void.

*\*4(a) and 4(b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 4(a) shall apply.*

## 5. Time and place of delivery and notices

**(a)** The Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage at/in **Okpo, Geoje Island, South Korea as per Attachment A** (state place/range) in the Sellers' option. **simultaneously with delivery from Builder to the Sellers. The agreed Notice of Readiness shall not be tendered before: \_\_\_\_\_ (date) Delivery Date as per the Shipbuilding Contract is 30 November 2020 ("Agreed Delivery Date"). The Builder may deliver the Vessel earlier than the Agreed Delivery Date pursuant to the terms of the Shipbuilding Contract.**

Cancelling Date (see Clauses 5(c), 6 (a)(i), 6 (a) (iii) and 14): \_\_\_\_\_

**(b)** The Sellers shall keep the Buyers well informed of the Vessel's **construction progress and shall provide the Buyers with approximate notices of the date the Sellers intend to tender Notice of Readiness** itinerary and shall provide the Buyers with twenty (20), ten (10), five (5) and three (3) days' notice of the date the Sellers intend to tender Notice of Readiness and of the intended place of delivery.

When the Vessel is **completed in accordance with Attachment A** at the place of delivery and physically ready for delivery in accordance with this Agreement, the Sellers shall give the Buyers a written Notice of Readiness for delivery.

**If the Vessel is delayed and the Sellers receive liquidated damages due to delay under the Shipbuilding Contract, the Purchase Price shall be reduced accordingly with a corresponding amount (see Attachment A).**

**Cancelling Date (see Clauses 5(c) and 14): The Cancelling Date under this Agreement shall correspond with the cancelling date under the Shipbuilding Contract.**

**(c)** If the Sellers anticipate that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date they may notify the Buyers in writing stating the date when they anticipate that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyers shall have the option of either cancelling this Agreement in accordance with Clause 14 (Sellers' Default) within three (3) Banking Days of receipt of the notice or of accepting the new date as the new Cancelling Date. If the Buyers have not declared their option within three (3) Banking Days of receipt of the Sellers' notification or if the Buyers accept the new date, the date proposed in the Sellers' notification shall be deemed to be the new Cancelling Date and shall be substituted for the Cancelling Date stipulated in line 79.

If this Agreement is maintained with the new Cancelling Date all other terms and conditions hereof including those contained in Clauses 5(b) and 5(d) shall remain unaltered and in full

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force and effect.

(d) Cancellation, failure to cancel or acceptance of the new Cancelling Date shall be entirely without prejudice to any claim for damages the Buyers may have under Clause 14 (Sellers' Default) for the Vessel not being ready by the original Cancelling Date.

(e) Should the Vessel become an actual, constructive or compromised total loss before delivery the **Deposit-Downpayment** together with interest **as set out in line 33** earned, if any, shall be released immediately to the Buyers whereafter this Agreement shall be null and void.

## 6. Divers Inspection / Drydocking – N/A

~~(a)\*~~

~~(i)~~ The Buyers shall have the option at their cost and expense to arrange for an underwater inspection by a diver approved by the Classification Society prior to the delivery of the Vessel. Such option shall be declared latest nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement. The Sellers shall at their cost and expense make the Vessel available for such inspection. This inspection shall be carried out without undue delay and in the presence of a Classification Society surveyor arranged for by the Sellers and paid for by the Buyers. The Buyers' representative(s) shall have the right to be present at the diver's inspection as observer(s) only without interfering with the work or decisions of the Classification Society surveyor. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the Classification Society. If the conditions at the place of delivery are unsuitable for such inspection, the Sellers shall at their cost and expense make the Vessel available at a suitable alternative place near to the delivery port, in which event the Cancelling Date shall be extended by the additional time required for such positioning and the subsequent re-positioning. The Sellers may not tender Notice of Readiness prior to completion of the underwater inspection.

~~(ii)~~ If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, then (1) unless repairs can be carried out afloat to the satisfaction of the Classification Society, the Sellers shall arrange for the Vessel to be drydocked at their expense for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules (2) such defects shall be made good by the Sellers at their cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\* and (3) the Sellers shall pay for the underwater inspection and the Classification Society's attendance.

Notwithstanding anything to the contrary in this Agreement, if the Classification Society do not require the aforementioned defects to be rectified before the next class drydocking survey, the Sellers shall be entitled to deliver the Vessel with these defects against a deduction from the Purchase Price of the estimated direct cost (of labour and materials) of carrying out the repairs to the satisfaction of the Classification Society, whereafter the Buyers shall have no further rights whatsoever in respect of the defects and/or repairs. The estimated direct cost of the repairs shall be the average of quotes for the repair work obtained from two reputable independent shipyards at or in the vicinity of the port of delivery, one to be obtained by each of the Parties within two (2) Banking Days from the date of the imposition of the condition/recommendation, unless the Parties agree otherwise. Should either of the Parties fail to obtain such a quote within the stipulated time then the quote duly obtained by the other Party shall be the sole basis for the estimate of the direct repair costs. The Sellers may not tender Notice of Readiness prior to such estimate having been established.

~~(iii)~~ If the Vessel is to be drydocked pursuant to Clause 6(a)(ii) and no suitable dry-docking facilities are available at the port of delivery, the Sellers shall take the Vessel to a port where suitable drydocking facilities are available, whether within or outside the delivery range as per Clause 5(a). Once drydocking has taken place the Sellers shall deliver the Vessel at a port within the delivery range as per Clause 5(a) which shall, for the purpose of this Clause, become the new port of delivery. In such event the Cancelling Date shall be extended by the additional time required for the drydocking and extra steaming, but limited to a maximum of fourteen (14) days.

~~(b)\*~~ The Sellers shall place the Vessel in drydock at the port of delivery for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules. If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken,

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damaged or defective so as to affect the Vessel's class, such defects shall be made good at the Sellers' cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\*. In such event the Sellers are also to pay for the costs and expenses in connection with putting the Vessel in and taking her out of drydock, including the drydock dues and the Classification Society's fees. The Sellers shall also pay for these costs and expenses if parts of the tailshaft system are condemned or found defective or broken so as to affect the Vessel's class. In all other cases, the Buyers shall pay the aforesaid costs and expenses, dues and fees.

(e) If the Vessel is drydocked pursuant to Clause ~~6 (a)(ii)~~ or ~~6 (b)~~ above:

- (i) The Classification Society may require survey of the tailshaft system, the extent of the survey being to the satisfaction of the Classification surveyor. If such survey is not required by the Classification Society, the Buyers shall have the option to require the tailshaft to be drawn and surveyed by the Classification Society, the extent of the survey being in accordance with the Classification Society's rules for tailshaft survey and consistent with the current stage of the Vessel's survey cycle. The Buyers shall declare whether they require the tailshaft to be drawn and surveyed not later than by the completion of the inspection by the Classification Society. The drawing and refitting of the tailshaft shall be arranged by the Sellers. Should any parts of the tailshaft system be condemned or found defective so as to affect the Vessel's class, those parts shall be renewed or made good at the Sellers' cost and expense to the satisfaction of Classification Society without condition/recommendation\*\*.
- (ii) The costs and expenses relating to the survey of the tailshaft system shall be borne by the Buyers unless the Classification Society requires such survey to be carried out or if parts of the system are condemned or found defective or broken so as to affect the Vessel's class, in which case the Sellers shall pay these costs and expenses.
- (iii) The Buyers' representative(s) shall have the right to be present in the drydock, as observer(s) only without interfering with the work or decisions of the Classification Society surveyor.
- (iv) The Buyers shall have the right to have the underwater parts of the Vessel cleaned and painted at their risk, cost and expense without interfering with the Sellers' or the Classification Society surveyor's work, if any, and without affecting the Vessel's timely delivery. If, however, the Buyers' work in drydock is still in progress when the Sellers have completed the work which the Sellers are required to do, the additional docking time needed to complete the Buyers' work shall be for the Buyers' risk, cost and expense. In the event that the Buyers' work requires such additional time, the Sellers may upon completion of the Sellers' work tender Notice of Readiness for delivery whilst the Vessel is still in drydock and, notwithstanding Clause 5(a), the Buyers shall be obliged to take delivery in accordance with Clause 3 (Payment), whether the Vessel is in drydock or not.

*\*6 (a) and 6 (b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 6 (a) shall apply.*

*\*\*Notes or memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/recommendation are not to be taken into account.*

## 7. Spares, bunkers and other items

The Sellers shall deliver the Vessel to the Buyers with everything belonging to her on board and on shore **as per Attachment A**. All spare parts and spare equipment including spare tail-end shaft(s) and/or spare propeller(s)/propeller blade(s), if any, ~~belonging to the Vessel at the time of inspection~~**ordered** separately by the Buyers during construction (i.e. not being part of the Specification) used or unused, whether on board or not shall become the Buyers' property, ~~but~~**together with** spares on order are ~~excluded~~ **shall be included in the sale and the Buyers shall pay the actual net price to the Sellers**. Forwarding charges, if any, shall be for the Buyers' account. The Sellers are not required to replace spare parts including spare tail-end shaft(s) and spare propeller(s)/propeller blade(s) which are taken out of spare and used as replacement prior to delivery, but the replaced items shall be the property of the Buyers. Unused stores and provisions shall be included in the sale and be taken over by the Buyers without extra payment.

Library and forms exclusively for use in the Sellers' vessel(s) and captain's, officers' and crew's personal belongings including the slop chest are excluded from the sale without compensation, as well as the following additional items: \_\_\_\_\_ (include list)

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Items on board which are on hire or owned by third parties, listed as follows, are excluded from the sale without compensation: \_\_\_\_\_ (include list)

Items on board at the time of inspection which are on hire or owned by third parties, not listed above, shall be replaced or procured by the Sellers prior to delivery at their cost and expense.

The Buyers shall take over remaining bunkers and unused lubricating and hydraulic oils and greases in storage tanks and unopened drums **and fuel oil, LNG, other liquefied gases, fresh water or consumable stores which are on board the Vessel at the time of delivery** and pay either:

(a) \*the actual net price (excluding barging expenses) as evidenced by invoices or vouchers; or

(b) \*the current net market price (excluding barging expenses) at the port and date of delivery of the Vessel or, if unavailable, at the nearest bunkering port;

for the quantities taken over.

Payment under this Clause shall be made at the same time and place and in the same currency as the Purchase Price.

“inspection” in this Clause 7, shall mean the Buyers’ inspection according to Clause 4(a) or 4(b) (Inspection), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*(a) and (b) are alternatives, delete whichever is not applicable. In the absence of deletions alternative (a) shall apply.*

## 8. Documentation

The place of closing: **At the Builder’s shipyard in Okpo, Geoje Island, South Korea or such other place as the Parties may agree**

(a) In exchange for payment of the Purchase Price the Sellers shall provide the Buyers with the following delivery documents:

- (i) Legal Bill(s) of Sale in a form recordable in the Buyers’ Nominated Flag State, transferring title of the Vessel and stating that the Vessel is free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, duly notarially attested and legalised or apostilled, as required by the Buyers’ Nominated Flag State;
- (ii) Evidence that all necessary corporate, shareholder and other action has been taken by the Sellers to authorise the execution, delivery and performance of this Agreement;
- (iii) Power of Attorney of the Sellers appointing one or more representatives to act on behalf of the Sellers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate);
- (iv) **Protocol of Delivery and Acceptance signed by the Builder and the Sellers, to be 244 countersigned by the Buyers, and Builders’ Certificate issued to the Sellers by the Builder, both duly notarially attested and legalized Certificate or Transcript of Registry issued by the competent authorities of the flag state on the date of delivery evidencing the Sellers’ ownership of the Vessel and that the Vessel is free from registered encumbrances and mortgages, to be faxed or e-mailed by such authority to the closing meeting with the original to be sent to the Buyers as soon as possible after delivery of the Vessel;**
- (v) **Class Certificates in form as required to be delivered by the Builder to the Sellers as per Attachment A Declaration of Class or (depending on the Classification Society) a Class Maintenance Certificate issued within three (3) Banking Days prior to delivery confirming that the Vessel is in Class free of condition/recommendation;**
- (vi) **A statement from the Sellers in a form acceptable to the Buyers’ nominated ship registry, stating that the Vessel has never been registred in any ship registry. Certificate of Deletion of the Vessel from the Vessel’s registry or other official evidence of deletion appropriate to the Vessel’s registry at the time of delivery, or, in the event that the registry does not as a matter of practice issue such documentation immediately, a written undertaking by the Sellers to effect deletion from the Vessel’s registry forthwith and provide a certificate or other official evidence of deletion to the Buyers promptly and latest within four (4) weeks after the Purchase Price has been paid and the Vessel has been delivered;**

- (vii) ~~A copy of the Vessel's Continuous Synopsis Record certifying the date on which the Vessel ceased to be registered with the Vessel's registry, or, in the event that the registry~~

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does not as a matter of practice issue such certificate immediately, a written undertaking from the Sellers to provide the copy of this certificate promptly upon it being issued together with evidence of submission by the Sellers of a duly executed Form 2 stating the date on which the Vessel shall cease to be registered with the Vessel's registry;

- (viii) Commercial Invoice for the Vessel;
  - (ix) Commercial Invoice(s) for bunkers, lubricating and hydraulic oils and greases;
  - ~~(x) A copy of the Sellers' letter to their satellite communication provider cancelling the Vessel's communications contract which is to be sent immediately after delivery of the Vessel;~~
  - (xi) Any additional documents **as listed in Attachment A and/or** as may reasonably be required by the competent authorities of the Buyers' Nominated Flag State for the purpose of registering the Vessel, provided the Buyers notify the Sellers of any such documents as soon as possible after the date of this Agreement; and
  - ~~(xii) The Sellers' letter of confirmation that to the best of their knowledge, the Vessel is not black listed by any nation or international organisation.~~ **copy of the sea trial results duly approved by the Classification Society as per Attachment A; and**
  - (xiii) An assignment in favour of the Buyers whereby the Sellers assign all warranties of the Builder towards the Sellers (including as provided in Attachment A) and also an assignment of any warranty or service or spare part arrangement that a maker or subcontractor has provided to the Sellers in respect of the Vessel.**
- (b) At the time of delivery the Buyers shall provide the Sellers with:
- (i) Evidence that all necessary corporate, shareholder and other action has been taken by the Buyers to authorise the execution, delivery and performance of this Agreement; and
  - (ii) Power of Attorney of the Buyers appointing one or more representatives to act on behalf of the Buyers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate).
- (c) If any of the documents listed in Sub-clauses (a) and (b) above are not in the English language they shall be accompanied by an English translation by an authorised translator or certified by a lawyer qualified to practice in the country of the translated language.
- (d) The Parties shall to the extent possible exchange copies, drafts or samples of the documents listed in Sub-clause (a) and Sub-clause (b) above for review and comment by the other party not later than **3 days** (*state number of days*), ~~or if left blank, nine (9) days~~ prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement.
- (e) Concurrent with the exchange of documents in Sub-clause (a) and Sub-clause (b) above, the Sellers shall also hand to the Buyers the classification certificate(s) as well as all plans, drawings and manuals, (excluding ISM/ISPS manuals), which are on board the Vessel. Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers have the right to take copies.
- (f) Other technical documentation which may be in the Sellers' possession shall promptly after delivery be forwarded to the Buyers at their expense, if they so request. ~~The Sellers may keep the Vessel's log books but the Buyers have the right to take copies of same.~~
- (g) The Parties shall sign and deliver to each other a Protocol of Delivery and Acceptance confirming the date and time of delivery of the Vessel from the Sellers to the Buyers.

## 9. Encumbrances

The Sellers warrant that the Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts whatsoever, and is not subject to Port State or other administrative detentions. The Sellers hereby undertake to indemnify the Buyers against all consequences of claims made against the Vessel which have been incurred prior to the time of delivery.

## 10. Taxes, fees and expenses

Any taxes, fees and expenses in connection with the purchase and registration in the Buyers'

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Nominated Flag State shall be for the Buyers' account, whereas similar charges in connection with the closing of the Sellers' register shall be for the Sellers' account.

## 11. Condition on delivery

The Vessel with everything belonging to her shall be at the Sellers' risk and expense until she is delivered to the Buyers, but subject to the terms and conditions of this Agreement she shall be delivered and taken over as **per Attachment A with new Class certificates, free of damage affecting the Vessel's Class and with her Class and national certificates valid and duly executed without condition/recommendation by the relevant authorities at the time of delivery.**

**Notwithstanding the above, the Buyers shall be required to accept the Vessel if the Sellers is required to accept the Vessel and take delivery of the Vessel from the Builder pursuant to the Shipbuilding Contract. As such;**

**The Buyers shall not unreasonably reject the Vessel because of minor or insubstantial defect or non-conformity judged from the viewpoint of generally accepted good shipbuilding practice, and the Buyers shall not be entitled to refuse delivery by reason only of a deficiency in the Vessel's guaranteed speed and/or fuel consumption and/or the guaranteed cargo capacity and/or the guaranteed boil-off rate, unless the Sellers in its capacity as buyers under the Shipbuilding Contract is entitled to reject delivery vis-a-vis the Builder. If any such deficiencies exceed limits, the Buyers shall be entitled to deduct from the Purchase Price such amounts as the Sellers is entitled to deduct from the contract price under the Shipbuilding Contract vis-a-vis the Builder.**

**After completion of sea trials and the gas trials (as per Attachment A) and receipt by the Buyers of a copy of the Builders notice for delivery, the Buyers shall, within 1 day after receipt of such notice, notify the Sellers of its intended acceptance or rejection of the Vessel on the basis of its conformity with the requirements of Attachment A.**

she was at the time of inspection, fair wear and tear excepted. However, the Vessel shall be delivered free of cargo and free of stowaways with her Class maintained without condition/recommendation\*, free of average damage affecting the Vessel's class, and with her classification certificates and national certificates, as well as all other certificates the Vessel had at the time of inspection, valid and unextended without condition/recommendation\* by the Classification Society or the relevant authorities at the time of delivery.

"inspection" in this Clause 11, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspections), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*Notes and memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/recommendation are not to be taken into account.*

## 12. Name/markings

**The Vessel shall be delivered by the Sellers to the Buyers with the Buyers' name and funnel marking. ~~Upon delivery the Buyers undertake to change the name of the Vessel and alter funnel markings.~~**

## 13. Buyers' default

Should the ~~Deposit~~**Downpayment** not be lodged-paid in accordance with Clause 2 (~~Deposit~~**Downpayment**), the Sellers have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest.

Should the Purchase Price not be paid in accordance with Clause 3 (Payment), the Sellers have the right to cancel this Agreement, in which case the ~~Deposit together with interest earned, if any, shall be released to the Sellers. If the Deposit does not cover their loss,~~ the Sellers shall be entitled to claim further compensation for their losses and for all expenses incurred together with interest **due to Buyers' proven breach. The Sellers shall have a right to deduct from the Downpayment all such claims for compensation as they are entitled to pursuant to this Clause 13. After the Sellers have made such deductions, the Sellers shall return the balance of the Downpayment to the Buyers.**

## 14. Sellers' default

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Should the Sellers fail to give Notice of Readiness in accordance with Clause 5(b) or fail to be ready to validly complete a legal transfer by the Cancelling Date the Buyers shall have the option of cancelling this Agreement. If after Notice of Readiness has been given but before the Buyers have taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and new Notice of Readiness given, the Buyers shall retain their option to cancel **subject to Clause 5c above**. In the event that the Buyers elect to cancel this Agreement, the ~~Deposit-Downpayment~~ together with interest earned, ~~if any as set out in line 33~~, shall be ~~refunded~~released to them immediately.

Should the Sellers fail to give Notice of Readiness by the Cancelling Date or fail to be ready to validly complete a legal transfer as aforesaid they shall **be obliged to release the Downpayment including interest thereon to the Buyers, but otherwise not have any obligations towards the Buyers** ~~make due compensation to the Buyers for their loss and for all expenses together with interest if their failure is due to proven negligence and whether or not the Buyers cancel this Agreement.~~

## 15. Buyers' representatives

After this Agreement has been signed by the Parties and the ~~Deposit-Downpayment~~ has been ~~ledged~~paid, the Buyers shall at any time thereafter have the right to visit the Yard and inspect the work in progress and have the right to place ~~two (2)~~ representatives on ~~site~~board the Vessel at their sole risk and expense to work with and cooperate with the existing site management team. The Buyers' representatives shall have customary access to the Vessel, the Yard facilities and relevant shipbuilding documents and drawings as per customary practice and have the right to be present at all inspections, tests and sea trials and sea trial results.

The Sellers shall keep the Buyers well informed of any upcoming milestones and of any inspections and tests both at the Yard and with respect to subcontractors work, to ensure that the Buyers is able to attend the same. The Buyers shall attend as observers only, shall not interfere or obstruct the construction process and shall comply with the Sellers site managers instruction.

The Sellers shall make available customary office space at the Yard for the Buyers representatives if the Buyers so request. The Sellers shall make available for Buyers review all correspondence,

notices and other documents related to technical (as opposed to commercial) matters under construction process and shall provide copies of the same upon the Buyers request.

~~These representatives are on board for the purpose of familiarisation and in the capacity of observers only, and they shall not interfere in any respect with the operation of the Vessel. The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation.~~

## 16. Law and Arbitration

(a) \*This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.

The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both Parties as if the sole arbitrator had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$100,000 the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at

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the time when the arbitration proceedings are commenced.

~~(b) \_\_\_\_\_ \*This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the substantive law (not including the choice of law rules) of the State of New York and any dispute arising out of or in connection with this Agreement shall be referred to three (3) persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.~~

~~In cases where neither the claim nor any counterclaim exceeds the sum of US\$ 100,000 the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc.~~

~~(e) \_\_\_\_\_ This Agreement shall be governed by and construed in accordance with the laws of \_\_\_\_\_ (state place) and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at \_\_\_\_\_ (state place), subject to the procedures applicable there.~~

~~\*16(a), 16(b) and 16(c) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 16(a) shall apply.~~

## 17. Notices

All notices to be provided under this Agreement shall be in writing.

Contact details for recipients of notices are as follows:

For the Buyers: **Flex Freedom Limited**

**c/o FLEX LNG Management Ltd.  
Bryggegata 3  
0250 Oslo  
Norway**

**Attention: Øystein M. Kalleklev  
Email: Oystein.Kalleklev@flexlng.com**

**With copy to: Marius Hermansen  
Email: Marius.Hermansen@seatankersmgt.com**

For the Sellers: **Sea Freedom Shipowning Inc.,**

**c/o Seatankers Management Company Ltd.  
P.O. Box 53562,  
CY-3399 Limassol,  
Cyprus**

**(Deanna Beach Apartments, Block 1, 4th Floor, Promachon Eleftherias Street, Ayios Athanasios, CY-4013 Limassol, Cyprus)**

**Attention: Spyros Episkopou  
Telephone: +357 25 858 300  
Email: spyros.episkopou@seatankers.com.cy**

**With copy to: Marius Hermansen  
Email: Marius.Hermansen@seatankersmgt.com**

## 18. Entire Agreement

The written terms of this Agreement comprise the entire agreement between the Buyers and the Sellers in relation to the sale and purchase of the Vessel and supersede all previous agreements whether oral or written between the Parties in relation thereto.

Each of the Parties acknowledges that in entering into this Agreement it has not relied on and shall have no right or remedy in respect of any statement, representation, assurance or

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warranty (whether or not made negligently) other than as is expressly set out in this Agreement.

Any terms implied into this Agreement by any applicable statute or law are hereby excluded to the extent that such exclusion can legally be made. Nothing in this Clause shall limit or exclude any liability for fraud.

#### **19. Modifications, changes and extras**

**The Sellers shall not agree to any major amendments, modifications or changes to the Specifications, the General Arrangement Plan or the Supplier List without the Buyers' prior written consent.**

**Modifications or changes to the Specifications and the General Arrangement Plan may be requested by the Buyers substantially on the terms set out in the Shipbuilding Contract and the Sellers shall take the necessary action to request such changes from the Builder. The Sellers agreement with the Builder in respect of any such changes or modifications in respect of which the Builder requires a change in the contract price, delivery date, Specifications or other terms of the Shipbuilding Contract within normal practice for such changes or modifications shall be at Buyers cost and the delivery date under this Agreement shall be updated accordingly.**

#### **20. Termination of the Shipbuilding Contract**

**Should the Sellers be entitled to cancel the Shipbuilding Contract before delivery then they will inform the Buyers without delay and both Parties will then jointly decide how to progress with the situation at hand. The Sellers will not cancel the Shipbuilding Contract without prior consent of Buyers, such consent not to be unreasonably withheld.**

#### **21. Parent Company Guarantee**

**At the time of signing of this Agreement, the Buyers shall provide the Sellers with a performance guarantee in such form and substance as attached hereto in Attachment C, duly executed by the Buyers' ultimate parent company, Flex LNG Ltd. (the "Guarantee").**

**The Guarantee shall apply in respect of all obligations assumed by the Buyers under this Agreement, but shall in all circumstances be limited to the Purchase Price plus accrued interest as applicable.**

#### **22. Building Supervision**

**The Purchase Price is inclusive of the Sellers building supervision of the Vessel during the construction period.**

#### **23. Condition Precedent**

**It is a condition precedent for the effectiveness of this MOA that the USD 300 million private placement in Flex LNG Ltd. is successfully carried out including that Flex LNG Ltd. has received the proceeds from the private placement.**

For and on behalf of the Sellers

/s/ Spyros Episkopou  
Name: Spyros Episkopou  
Title: Director

/s/ Eirini Santhi Theocharous  
Name: Eirini Santhi Theocharous  
Title: Director

For and on behalf of the Buyers

/s/ Marius Hermansen  
Name: Marius Hermansen  
Title: Attorney-in-Fact

document shall apply. BIMCO and the Norwegian Shipbrokers' Association assume no responsibility for any loss, damage or expense as a result of discrepancies between the original approved document and this computer generated document.

## MEMORANDUM OF AGREEMENT

<p>Norwegian Shipbrokers' Association's Memorandum of Agreement for sale and purchase of ships. Adopted by BIMCO in 1956. Code-name <b>SALEFORM 2012</b> Revised 1966, 1983 and 1986/87, 1993 and 2012</p>
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Dated: **October 2018**

**Sea Reliance Inc.**, a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands (~~Name of sellers~~), hereinafter called the "Sellers", have agreed to sell, and

**FLEX LNG Reliance Limited**, a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands (~~Name of buyers~~), hereinafter called the "Buyers", have agreed to buy: The Vessel with hull no. 2479 currently under construction at the premises of Daewoo Shipbuilding and Marine Engineering Co. Ltd. (the "Builder") in Okpo, Geoje Island, South Korea

Name of vessel: **To be named "FLEX Reliance"**

IMO Number: **TBA**

Classification Society: **DNV GL**

Class Notation: **As per Attachment A**

Year of Build: **As per Attachment A**

Builder/Yard: **Daewoo Shipbuilding and Marine Engineering Co. Ltd.**

Flag: **Marshall Islands** Place of Registration: **N/A**

GT/NT: **As per Attachment A/\_\_\_\_\_**

hereinafter called the "Vessel", on the following terms and conditions:

### Definitions

"Attachment A" is the Shipbuilding Contract (as defined below). The Specification, the General Arrangement Plan and the Supplier List for the Vessel are an integral part of the Shipbuilding Contract.

"Attachment B" is the form of an irrevocable letter of guarantee to be issued by Blue Sea Navigation Holding Inc. pursuant to Clause 2.

"Attachment C" is the form of a performance guarantee to be issued by the Buyers' ultimate parent company, Flex LNG Ltd. pursuant to Clause 21.

"Banking Days" are days on which banks are open both in the country of the currency stipulated for the Purchase Price in Clause 1 (Purchase Price) and in the place of closing stipulated in Clause 8 (Documentation), ~~and Norway and South Korea~~ (*add additional jurisdictions as appropriate*).

"Buyers' Nominated Flag State" means **Marshall Islands** (~~state flag state~~).

"Class" means the class notation referred to above.

"Classification Society" means the Society referred to above.

"~~Deposit~~**Downpayment**" shall have the meaning given in Clause 2 (~~Deposit~~**Downpayment**)

"~~Deposit Holder~~" means \_\_\_\_\_ (*state name and location of Deposit Holder*) or, if left blank, the Sellers' Bank, which shall hold and release the ~~Deposit~~ in accordance with this Agreement.

"In writing" or "written" means a letter handed over from the Sellers to the Buyers or vice versa, a registered letter, e-mail or telefax.

"Parties" means the Sellers and the Buyers.

"Purchase Price" means the price for the Vessel as stated in Clause 1 (Purchase Price).

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“Sellers’ Account” means **the bank account notified by the Sellers to the Buyers for the receipt of the Downpayment and the balance of the Purchase Price** (*state details of bank account*) at the Sellers’ bBank.

“Shipbuilding Contract” means the shipbuilding contract for the construction of the Vessel entered into between the Builder and the Sellers on 26 February 2018. The Sellers shall not make any major amendments to the Shipbuilding Contract without the prior consent from the Buyers ref. Clause 19.

“Sellers’ Bank” means \_\_\_\_\_ (*state name of bank, branch and details*) or, if left blank, the bank notified by the Sellers to the Buyers for receipt of the balance of the Purchase Price.

## 1. Purchase Price

The Purchase Price is **USD 180,000,000 (United States Dollars One Hundred Eighty Million) plus USD 6,000,000 (United States Dollars Six Million) for the Full Re-liquefaction System (Burckhardt basis) as agreed between the Sellers and the Buyers** (*state currency and amount both in words and figures*).

## 2. ~~Deposit~~Downpayment

As security for the correct fulfilment of this Agreement the Buyers shall ~~ledge a deposit~~**make a downpayment of 30% (thirty per cent) i.e. USD 55,800,000 (United States Dollars Fifty Five Million Eight Hundred Thousand)** or, if left blank, 10% (ten per cent), of the Purchase Price (the “~~Deposit~~Downpayment”) **to the Sellers’ Account** in an interest-bearing account for the Parties with the ~~Deposit Holder~~ within three (3) Banking Days after the date ~~that~~**later of**:

(i) this Agreement has been signed by the Parties and exchanged in original or by e-mail or telefax; **and**

(ii) **FLEX LNG Ltd. having received the proceeds from its contemplated private placement**

(or such other date as the Parties may agree).

As security for the Sellers’ obligation to repay the Downpayment in the event that this Agreement is cancelled by the Buyers in accordance with the terms of this Agreement, the Sellers shall provide Buyers with an irrevocable letter of guarantee issued by Blue Sea Navigation Holding Inc., in form and substance as annexed hereto as Attachment B at the time of signing of this Agreement.

; and

(ii) the Deposit Holder has confirmed in writing to the Parties that the account has been opened.

The Deposit shall be released in accordance with joint written instructions of the Parties. Interest, if any, shall be credited to the Buyers. Any fee charged for holding and releasing the Deposit shall be borne equally by the Parties. The Parties shall provide to the Deposit Holder all necessary documentation to open and maintain the account without delay.

## 3. Payment

On delivery of the Vessel, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices):

(i) the ~~Deposit~~ shall be released to the Sellers; and

(ii) the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this Agreement shall be paid in full free of bank charges to the Sellers’ Account.

**Notwithstanding the above, the Buyers and the Sellers will work together to effect a simultaneous payment under this Agreement and the balance payment of the installment payable on delivery of the Vessel from the Builder to the Sellers, by use of the same funds if deemed practical by the Parties.**

## 4. Inspection

**(a)\*** The Buyers have inspected and accepted **Attachment A and the Buyers shall accept the Vessel upon the Vessels completion according to Attachment A.**~~the Vessel's classification records. The Buyers have also inspected the Vessel at/in \_\_\_\_\_ (state place) on (state date) and have~~

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accepted the Vessel following this inspection and the sale is outright and definite, subject only to the terms and conditions of this Agreement.

**(b)\*** The Buyers shall have the right to inspect the Vessel's classification records and declare whether same are accepted or not within \_\_\_\_\_ (state date/period).

The Sellers shall make the Vessel available for inspection at/in \_\_\_\_\_ (state place/range) within \_\_\_\_\_ (state date/period).

The Buyers shall undertake the inspection without undue delay to the Vessel. Should the Buyers cause undue delay they shall compensate the Sellers for the losses thereby incurred.

The Buyers shall inspect the Vessel without opening up and without cost to the Sellers.

During the inspection, the Vessel's deck and engine log books shall be made available for examination by the Buyers.

The sale shall become outright and definite, subject only to the terms and conditions of this Agreement, provided that the Sellers receive written notice of acceptance of the Vessel from the Buyers within seventy-two (72) hours after completion of such inspection or after the date/last day of the period stated in Line 59, whichever is earlier.

Should the Buyers fail to undertake the inspection as scheduled and/or notice of acceptance of the Vessel's classification records and/or of the Vessel not be received by the Sellers as aforesaid, the Deposit together with interest earned, if any, shall be released immediately to the Buyers, whereafter this Agreement shall be null and void. *\*4(a) and 4(b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 4(a) shall apply.*

## 5. Time and place of delivery and notices

**(a)** The Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage at/in **Okpo, Geoje Island, South Korea as per Attachment A** (state place/range) in the Sellers' option. **simultaneously with delivery from Builder to the Sellers. The agreed Notice of Readiness shall not be tendered before: (date) Delivery Date as per the Shipbuilding Contract is 31 August 2020 ("Agreed Delivery Date"). The Builder may deliver the Vessel earlier than the Agreed Delivery Date pursuant to the terms of the Shipbuilding Contract.**

Cancelling Date (see Clauses 5(c), 6 (a)(i), 6 (a)(iii) and 14): \_\_\_\_\_

**(b)** The Sellers shall keep the Buyers well informed of the Vessel's **construction progress and shall provide the Buyers with approximate notices of the date the Sellers intend to tender Notice of Readiness** itinerary and shall provide the Buyers with twenty (20), ten (10), five (5) and three (3) days' notice of the date the Sellers intend to tender Notice of Readiness and of the intended place of delivery.

When the Vessel is **completed in accordance with Attachment A** at the place of delivery and physically ready for delivery in accordance with this Agreement, the Sellers shall give the Buyers a written Notice of Readiness for delivery.

**If the Vessel is delayed and the Sellers receive liquidated damages due to delay under the Shipbuilding Contract, the Purchase Price shall be reduced accordingly with a corresponding amount (see Attachment A).**

**Cancelling Date (see Clauses 5(c) and 14): The Cancelling Date under this Agreement shall correspond with the cancelling date under the Shipbuilding Contract.**

**(c)** If the Sellers anticipate that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date they may notify the Buyers in writing stating the date when they anticipate that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyers shall have the option of either cancelling this Agreement in accordance with Clause 14 (Sellers' Default) within three (3) Banking Days of receipt of the notice or of accepting the new date as the new Cancelling Date. If the Buyers have not declared their option within three (3) Banking Days of receipt of the Sellers' notification or if the Buyers accept the new date, the date proposed in the Sellers' notification shall be deemed to be the new Cancelling Date and shall be substituted for the Cancelling Date stipulated in line 79.

If this Agreement is maintained with the new Cancelling Date all other terms and conditions hereof including those contained in Clauses 5(b) and 5(d) shall remain unaltered and in full

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force and effect.

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force and effect.

(d) Cancellation, failure to cancel or acceptance of the new Cancelling Date shall be entirely without prejudice to any claim for damages the Buyers may have under Clause 14 (Sellers' Default) for the Vessel not being ready by the original Cancelling Date.

(e) Should the Vessel become an actual, constructive or compromised total loss before delivery the **Deposit-Downpayment** together with interest **as set out in line 33** earned, if any, shall be released immediately to the Buyers whereafter this Agreement shall be null and void.

## 6. Divers Inspection / Drydocking – N/A

(a)\*

(i) The Buyers shall have the option at their cost and expense to arrange for an underwater inspection by a diver approved by the Classification Society prior to the delivery of the Vessel. Such option shall be declared latest nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement. The Sellers shall at their cost and expense make the Vessel available for such inspection. This inspection shall be carried out without undue delay and in the presence of a Classification Society surveyor arranged for by the Sellers and paid for by the Buyers. The Buyers' representative(s) shall have the right to be present at the diver's inspection as observer(s) only without interfering with the work or decisions of the Classification Society surveyor. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the Classification Society. If the conditions at the place of delivery are unsuitable for such inspection, the Sellers shall at their cost and expense make the Vessel available at a suitable alternative place near to the delivery port, in which event the Cancelling Date shall be extended by the additional time required for such positioning and the subsequent re-positioning. The Sellers may not tender Notice of Readiness prior to completion of the underwater inspection.

(ii) If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, then (1) unless repairs can be carried out afloat to the satisfaction of the Classification Society, the Sellers shall arrange for the Vessel to be drydocked at their expense for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules (2) such defects shall be made good by the Sellers at their cost and expense to the satisfaction of the Classification Society without condition/ recommendation\*\* and (3) the Sellers shall pay for the underwater inspection and the Classification Society's attendance.

Notwithstanding anything to the contrary in this Agreement, if the Classification Society do not require the aforementioned defects to be rectified before the next class drydocking survey, the Sellers shall be entitled to deliver the Vessel with these defects against a deduction from the Purchase Price of the estimated direct cost (of labour and materials) of carrying out the repairs to the satisfaction of the Classification Society, whereafter the Buyers shall have no further rights whatsoever in respect of the defects and/or repairs. The estimated direct cost of the repairs shall be the average of quotes for the repair work obtained from two reputable independent shipyards at or in the vicinity of the port of delivery, one to be obtained by each of the Parties within two (2) Banking Days from the date of the imposition of the condition/recommendation, unless the Parties agree otherwise. Should either of the Parties fail to obtain such a quote within the stipulated time then the quote duly obtained by the other Party shall be the sole basis for the estimate of the direct repair costs. The Sellers may not tender Notice of Readiness prior to such estimate having been established.

(iii) If the Vessel is to be drydocked pursuant to Clause 6(a)(ii) and no suitable dry-docking facilities are available at the port of delivery, the Sellers shall take the Vessel to a port where suitable drydocking facilities are available, whether within or outside the delivery range as per Clause 5(a). Once drydocking has taken place the Sellers shall deliver the Vessel at a port within the delivery range as per Clause 5(a) which shall, for the purpose of this Clause, become the new port of delivery. In such event the Cancelling Date shall be extended by the additional time required for the drydocking and extra steaming, but limited to a maximum of fourteen (14) days.

(b)\* The Sellers shall place the Vessel in drydock at the port of delivery for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules. If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken,

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damaged or defective so as to affect the Vessel's class, such defects shall be made good at the Sellers' cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\*. In such event the Sellers are also to pay for the costs and expenses in connection with putting the Vessel in and taking her out of drydock, including the drydock dues and the Classification Society's fees. The Sellers shall also pay for these costs and expenses if parts of the tailshaft system are condemned or found defective or broken so as to affect the Vessel's class. In all other cases, the Buyers shall pay the aforesaid costs and expenses, dues and fees.

~~(e) If the Vessel is drydocked pursuant to Clause 6 (a)(ii) or 6 (b) above:~~

~~(i) The Classification Society may require survey of the tailshaft system, the extent of the survey being to the satisfaction of the Classification surveyor. If such survey is not required by the Classification Society, the Buyers shall have the option to require the tailshaft to be drawn and surveyed by the Classification Society, the extent of the survey being in accordance with the Classification Society's rules for tailshaft survey and consistent with the current stage of the Vessel's survey cycle. The Buyers shall declare whether they require the tailshaft to be drawn and surveyed not later than by the completion of the inspection by the Classification Society. The drawing and refitting of the tailshaft shall be arranged by the Sellers. Should any parts of the tailshaft system be condemned or found defective so as to affect the Vessel's class, those parts shall be renewed or made good at the Sellers' cost and expense to the satisfaction of Classification Society without condition/recommendation\*\*.~~

~~(ii) The costs and expenses relating to the survey of the tailshaft system shall be borne by the Buyers unless the Classification Society requires such survey to be carried out or if parts of the system are condemned or found defective or broken so as to affect the Vessel's class, in which case the Sellers shall pay these costs and expenses.~~

~~(iii) The Buyers' representative(s) shall have the right to be present in the drydock, as observer(s) only without interfering with the work or decisions of the Classification Society surveyor.~~

~~(iv) The Buyers shall have the right to have the underwater parts of the Vessel cleaned and painted at their risk, cost and expense without interfering with the Sellers' or the Classification Society surveyor's work, if any, and without affecting the Vessel's timely delivery. If, however, the Buyers' work in drydock is still in progress when the Sellers have completed the work which the Sellers are required to do, the additional docking time needed to complete the Buyers' work shall be for the Buyers' risk, cost and expense. In the event that the Buyers' work requires such additional time, the Sellers may upon completion of the Sellers' work tender Notice of Readiness for delivery whilst the Vessel is still in drydock and, notwithstanding Clause 5(a), the Buyers shall be obliged to take delivery in accordance with Clause 3 (Payment), whether the Vessel is in drydock or not.~~

*\*6 (a) and 6 (b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 6 (a) shall apply.*

*\*\*Notes or memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/ recommendation are not to be taken into account.*

## 7. Spares, bunkers and other items

The Sellers shall deliver the Vessel to the Buyers with everything belonging to her on board and on shore **as per Attachment A**. All spare parts and spare equipment including spare tail-end shaft(s) and/or spare propeller(s)/propeller blade(s), if any, ~~belonging to the Vessel at the time of inspection~~ **ordered separately by the Buyers during construction (i.e. not being part of the Specification)** used or unused, whether on board or not shall become the Buyers' property, **but together with spares on order are excluded shall be included in the sale and the Buyers shall pay the actual net price to the Sellers**. Forwarding charges, if any, shall be for the Buyers' account. The Sellers are not required to replace spare parts including spare tail-end shaft(s) and spare propeller(s)/propeller blade(s) which are taken out of spare and used as replacement prior to delivery, but the replaced items shall be the property of the Buyers. Unused stores and provisions shall be included in the sale and be taken over by the Buyers without extra payment.

Library and forms exclusively for use in the Sellers' vessel(s) and captain's, officers' and crew's personal belongings including the slop chest are excluded from the sale without compensation, as well as the following additional items: \_\_\_\_\_ *(include list)*

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Items on board which are on hire or owned by third parties, listed as follows, are excluded from the sale without compensation: \_\_\_\_\_  
(include list)

Items on board at the time of inspection which are on hire or owned by third parties, not listed above, shall be replaced or procured by the Sellers prior to delivery at their cost and expense.

The Buyers shall take over remaining bunkers and unused lubricating and hydraulic oils and greases in storage tanks and unopened drums **and fuel oil, LNG, other liquefied gases, fresh water or consumable stores which are on board the Vessel at the time of delivery and pay either:**

(a) \*the actual net price (excluding barging expenses) as evidenced by invoices or vouchers; or

(b) \*the current net market price (excluding barging expenses) at the port and date of delivery of the Vessel or, if unavailable, at the nearest bunkering port, for the quantities taken over.

Payment under this Clause shall be made at the same time and place and in the same currency as the Purchase Price.

"inspection" in this Clause 7, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspection), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*(a) and (b) are alternatives, delete whichever is not applicable. In the absence of deletions alternative (a) shall apply.*

## 8. Documentation

The place of closing: **At the Builder's shipyard in Okpo, Geoje Island, South Korea or such other place as the Parties may agree**

(a) In exchange for payment of the Purchase Price the Sellers shall provide the Buyers with the following delivery documents:

(i) Legal Bill(s) of Sale in a form recordable in the Buyers' Nominated Flag State, transferring title of the Vessel and stating that the Vessel is free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, duly notarially attested and legalised or apostilled, as required by the Buyers' Nominated Flag State;

(ii) Evidence that all necessary corporate, shareholder and other action has been taken by the Sellers to authorise the execution, delivery and performance of this Agreement;

(iii) Power of Attorney of the Sellers appointing one or more representatives to act on behalf of the Sellers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate);

(iv) **Protocol of Delivery and Acceptance signed by the Builder and the Sellers, to be countersigned by the Buyers, and Builders' Certificate issued to the Sellers by the Builder, both duly notarially attested and legalized** Certificate or Transcript of Registry issued by the competent authorities of the flag state on the date of delivery evidencing the Sellers' ownership of the Vessel and that the Vessel is free from registered encumbrances and mortgages, to be faxed or e-mailed by such authority to the closing meeting with the original to be sent to the Buyers as soon as possible after delivery of the Vessel;

(v) **Class Certificates in form as required to be delivered by the Builder to the Sellers as per Attachment A Declaration of Class** or (depending on the Classification Society) a Class Maintenance Certificate issued within three (3) Banking Days prior to delivery confirming that the Vessel is in Class free of condition/recommendation;

(vi) **A statement from the Sellers in a form acceptable to the Buyers' nominated ship registry, stating that the Vessel has never been registered in any ship registry.** Certificate of Deletion of the Vessel from the Vessel's registry or other official evidence of deletion appropriate to the Vessel's registry at the time of delivery, or, in the event that the registry does not as a matter of practice issue such documentation immediately, a written undertaking by the Sellers to effect deletion from the Vessel's registry forthwith and provide a certificate or other official evidence of deletion to the Buyers promptly and latest within four (4) weeks after the Purchase Price has been paid and the Vessel has been delivered;

(vii) A copy of the Vessel's Continuous Synopsis Record certifying the date on which the Vessel ceased to be registered with the Vessel's registry, or, in the event that the registry

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~~does not as a matter of practice issue such certificate immediately, a written undertaking from the Sellers to provide the copy of this certificate promptly upon it being issued together with evidence of submission by the Sellers of a duly executed Form 2 stating the date on which the Vessel shall cease to be registered with the Vessel's registry;~~

(viii) Commercial Invoice for the Vessel;

(ix) Commercial Invoice(s) for bunkers, lubricating and hydraulic oils and greases;

~~(x) A copy of the Sellers' letter to their satellite communication provider cancelling the Vessel's communications contract which is to be sent immediately after delivery of the Vessel;~~

(xi) Any additional documents **as listed in Attachment A and/or** as may reasonably be required by the competent authorities of the Buyers' Nominated Flag State for the purpose of registering the Vessel, provided the Buyers notify the Sellers of any such documents as soon as possible after the date of this Agreement; ~~and~~

~~(xii) The Sellers' letter of confirmation that to the best of their knowledge, the Vessel is not black listed by any nation or international organisation.~~ **copy of the sea trial results duly approved by the Classification Society as per Attachment A; and**

**(xiii) An assignment in favour of the Buyers whereby the Seller assigns all warranties of the Builder towards the Sellers (including as provided in Attachment A) and also an assignment of any warranty or service or spare part arrangement that a maker or subcontractor has provided to the Sellers in respect of the Vessel.**

(b) At the time of delivery the Buyers shall provide the Sellers with:

(i) Evidence that all necessary corporate, shareholder and other action has been taken by the Buyers to authorise the execution, delivery and performance of this Agreement; and

(ii) Power of Attorney of the Buyers appointing one or more representatives to act on behalf of the Buyers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate).

(c) If any of the documents listed in Sub-clauses (a) and (b) above are not in the English language they shall be accompanied by an English translation by an authorised translator or certified by a lawyer qualified to practice in the country of the translated language.

(d) The Parties shall to the extent possible exchange copies, drafts or samples of the documents listed in Sub-clause (a) and Sub-clause (b) above for review and comment by the other party not later than **3 days** (*state number of days*), or if left blank, **nine (9) days** prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement.

(e) Concurrent with the exchange of documents in Sub-clause (a) and Sub-clause (b) above, the Sellers shall also hand to the Buyers the classification certificate(s) as well as all plans, drawings and manuals, (excluding ISM/ISPS manuals), which are on board the Vessel. Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers have the right to take copies.

(f) Other technical documentation which may be in the Sellers' possession shall promptly after delivery be forwarded to the Buyers at their expense, if they so request. ~~The Sellers may keep the Vessel's log books but the Buyers have the right to take copies of same.~~

(g) The Parties shall sign and deliver to each other a Protocol of Delivery and Acceptance confirming the date and time of delivery of the Vessel from the Sellers to the Buyers.

## 9. Encumbrances

The Sellers warrant that the Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts whatsoever, and is not subject to Port State or other administrative detentions. The Sellers hereby undertake to indemnify the Buyers against all consequences of claims made against the Vessel which have been incurred prior to the time of delivery.

## 10. Taxes, fees and expenses

Any taxes, fees and expenses in connection with the purchase and registration in the Buyers'

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Nominated Flag State shall be for the Buyers' account, whereas similar charges in connection with the closing of the Sellers' register shall be for the Sellers' account.

## 11. Condition on delivery

The Vessel with everything belonging to her shall be at the Sellers' risk and expense until she is delivered to the Buyers, but subject to the terms and conditions of this Agreement she shall be **delivered and taken over as per Attachment A with new Class certificates, free of damage affecting the Vessel's Class and with her Class and national certificates valid and duly executed without condition/recommendation by the relevant authorities at the time of delivery.**

**Notwithstanding the above, the Buyers shall be required to accept the Vessel if the Sellers is required to accept the Vessel and take delivery of the Vessel from the Builder pursuant to the Shipbuilding Contract. As such;**

**The Buyers shall not unreasonably reject the Vessel because of minor or insubstantial defect or non-conformity judged from the viewpoint of generally accepted good shipbuilding practice, and the Buyers shall not be entitled to refuse delivery by reason only of a deficiency in the Vessel's guaranteed speed and/or fuel consumption and/or the guaranteed cargo capacity and/or the guaranteed boil-off rate, unless the Sellers in its capacity as buyers under the Shipbuilding Contract is entitled to reject delivery vis-a-vis the Builder. If any such deficiencies exceed limits, the Buyers shall be entitled to deduct from the Purchase Price such amounts as the Sellers is entitled to deduct from the contract price under the Shipbuilding Contract vis-a-vis the Builder.**

**After completion of sea trials and the gas trials (as per Attachment A) and receipt by the Buyers of a copy of the Builders notice for delivery, the Buyers shall, within 1 day after receipt of such notice, notify the Sellers of its intended acceptance or rejection of the Vessel on the basis of its conformity with the requirements of Attachment A.**

she was at the time of inspection, fair wear and tear excepted.

However, the Vessel shall be delivered free of cargo and free of stowaways with her Class maintained without condition/recommendation\*, free of average damage affecting the Vessel's class, and with her classification certificates and national certificates, as well as all other certificates the Vessel had at the time of inspection, valid and unextended without condition/recommendation\* by the Classification Society or the relevant authorities at the time of delivery.

"inspection" in this Clause 11, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspections), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*Notes and memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/recommendation are not to be taken into account.*

## 12. Name/markings

**The Vessel shall be delivered by the Sellers to the Buyers with the Buyers' name and funnel marking. Upon delivery the Buyers undertake to change the name of the Vessel and alter funnel markings.**

## 13. Buyers' default

Should the ~~Deposit~~ **Downpayment** not be ~~lodged~~ **paid** in accordance with Clause 2 (~~Deposit~~ **Downpayment**), the Sellers have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest.

Should the Purchase Price not be paid in accordance with Clause 3 (Payment), the Sellers have the right to cancel this Agreement, in which case the ~~Deposit~~ together with interest earned, if any, shall be released to the Sellers. If the ~~Deposit~~ does not cover their loss, the Sellers shall be entitled to claim ~~further~~ compensation for their losses and for all expenses incurred together with interest **due to Buyers' proven breach. The Sellers shall have a right to deduct from the Downpayment all such claims for compensation as they are entitled to pursuant to this Clause 13. After the Sellers have made such deductions, the Sellers shall return the balance of the Downpayment to the Buyers.**

## 14. Sellers' default

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Should the Sellers fail to give Notice of Readiness in accordance with Clause 5(b) or fail to be ready to validly complete a legal transfer by the Cancelling Date the Buyers shall have the option of cancelling this Agreement. If after Notice of Readiness has been given but before the Buyers have taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and new Notice of Readiness given, the Buyers shall retain their option to cancel **subject to Clause 5c above**. In the event that the Buyers elect to cancel this Agreement, the ~~Deposit-Downpayment~~ together with interest ~~earned, if any as set out in line 33~~, shall be ~~refunded~~released to the immediately.

Should the Sellers fail to give Notice of Readiness by the Cancelling Date or fail to be ready to validly complete a legal transfer as aforesaid they shall **be obliged to release the Downpayment including interest thereon to the Buyers, but otherwise not have any obligations towards the Buyers** ~~make due compensation to the Buyers for their loss and for all expenses together with interest if their failure is due to proven negligence and whether or not the Buyers cancel this Agreement.~~

## 15. Buyers' representatives

After this Agreement has been signed by the Parties and the ~~Deposit-Downpayment~~ has been ~~ledged~~paid, the Buyers shall at any time thereafter have the right to visit the Yard and inspect the work in progress and have the right to place ~~two (2)~~ representatives on ~~site~~board the Vessel at their sole risk and expense to work with and cooperate with the existing site management team. The Buyers' representatives shall have customary access to the Vessel, the Yard facilities and relevant shipbuilding documents and drawings as per customary practice and have the right to be present at all inspections, tests and sea trials and sea trial results.

The Sellers shall keep the Buyers well informed of any upcoming milestones and of any inspections and tests both at the Yard and with respect to subcontractors work, to ensure that the Buyers is able to attend the same. The Buyers shall attend as observers only, shall not interfere or obstruct the construction process and shall comply with the Sellers site managers instruction.

The Sellers shall make available customary office space at the Yard for the Buyers representatives if the Buyers so request. The Sellers shall make available for Buyers review all correspondence, notices and other documents related to technical (as opposed to commercial) matters under construction process and shall provide copies of the same upon the Buyers request.

~~These representatives are on board for the purpose of familiarisation and in the capacity of observers only, and they shall not interfere in any respect with the operation of the Vessel. The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation.~~

## 16. Law and Arbitration

(a) \*This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.

The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both Parties as if the sole arbitrator had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$100,000 the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at

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the time when the arbitration proceedings are commenced.

(b) \*This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the substantive law (not including the choice of law rules) of the State of New York and any dispute arising out of or in connection with this Agreement shall be referred to three (3) persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$ 100,000 the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc.

(c) This Agreement shall be governed by and construed in accordance with the laws of *(state place)* and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at *(state place)*, subject to the procedures applicable there.

*\*16(a), 16(b) and 16(c) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 16(a) shall apply.*

## 17. Notices

All notices to be provided under this Agreement shall be in writing.

Contact details for recipients of notices are as follows:

For the Buyers: **FLEX LNG Reliance Limited**

**c/o FLEX LNG Management Ltd.  
Bryggegata 3  
0250 Oslo  
Norway**

**Attention: Øystein M. Kalleklev  
Email: Oystein.Kalleklev@flexlng.com**

**With copy to: Marius Hermansen  
Email: Marius.Hermansen@seatankersmgt.com**

For the Sellers: **Sea Reliance Inc.,**

**c/o Seatankers Management Company Ltd.  
P.O. Box 53562,  
CY-3399 Limassol,  
Cyprus**

**(Deanna Beach Apartments, Block 1, 4th Floor,  
Promachon Eleftherias Street, Ayios Athanasios,  
CY-4013 Limassol,  
Cyprus)**

**Attention: Spyros Episkopou  
Telephone: +357 25 858 300  
Email: spyros.episkopou@seatankers.com.cy**

**With copy to: Marius Hermansen  
Email: Marius.Hermansen@seatankersmgt.com**

## 18. Entire Agreement

The written terms of this Agreement comprise the entire agreement between the Buyers and the Sellers in relation to the sale and purchase of the Vessel and supersede all previous agreements whether oral or written between the Parties in relation thereto.

Each of the Parties acknowledges that in entering into this Agreement it has not relied on and shall have no right or remedy in respect of any statement, representation, assurance or

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warranty (whether or not made negligently) other than as is expressly set out in this Agreement.

Any terms implied into this Agreement by any applicable statute or law are hereby excluded to the extent that such exclusion can legally be made. Nothing in this Clause shall limit or exclude any liability for fraud.

#### **19. Modifications, changes and extras**

**The Sellers shall not agree to any major amendments, modifications or changes to the Specifications, the General Arrangement Plan or the Supplier List without the Buyers' prior written consent.**

**Modifications or changes to the Specifications and the General Arrangement Plan may be requested by the Buyers substantially on the terms set out in the Shipbuilding Contract and the Sellers shall take the necessary action to request such changes from the Builder. The Sellers agreement with the Builder in respect of any such changes or modifications in respect of which the Builder requires a change in the contract price, delivery date, Specifications or other terms of the Shipbuilding Contract within normal practice for such changes or modifications shall be at Buyers cost and the delivery date under this Agreement shall be updated accordingly.**

#### **20. Termination of the Shipbuilding Contract**

**Should the Sellers be entitled to cancel the Shipbuilding Contract before delivery then they will inform the Buyers without delay and both Parties will then jointly decide how to progress with the situation at hand. The Sellers will not cancel the Shipbuilding Contract without prior consent of Buyers, such consent not to be unreasonably withheld.**

#### **21. Parent Company Guarantee**

**At the time of signing of this Agreement, the Buyers shall provide the Sellers with a performance guarantee in such form and substance as attached hereto in Attachment C, duly executed by the Buyers' ultimate parent company, Flex LNG Ltd. (the "Guarantee").**

**The Guarantee shall apply in respect of all obligations assumed by the Buyers under this Agreement, but shall in all circumstances be limited to the Purchase Price plus accrued interest as applicable.**

#### **22. Building Supervision**

**The Purchase Price is inclusive of the Sellers building supervision of the Vessel during the construction period.**

#### **23. Condition Precedent**

**It is a condition precedent for the effectiveness of this MOA that the USD 300 million private placement in Flex LNG Ltd. is successfully carried out including that Flex LNG Ltd. has received the proceeds from the private placement.**

For and on behalf of the Sellers

By: /s/ Spyros Episkopou  
Name: Spyros Episkopou  
Title: Director

For and on behalf of the Buyers

By: /s/ Marius Hermansen  
Name: Marius Hermansen  
Title: Attorney-In-Fact

By: /s/ Eirini Santhi  
Theocharous  
Name: Eirini Santhi  
Theocharous  
Title: Director

# MEMORANDUM OF AGREEMENT

Norwegian Shipbrokers' Association's  
 Memorandum of Agreement for sale and  
 purchase of ships. Adopted by BIMCO in 1956.  
 Code-name  
**SALEFORM 2012**  
 Revised 1966, 1983 and 1986/87, 1993 and 2012

Dated: **15 October 2018**

**Sea Resolute Inc., a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands**

*(Name of sellers)*, hereinafter called the "Sellers", have agreed to sell, and

**FLEX LNG Resolute Limited, a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands** *(Name of buyers)*, hereinafter called the "Buyers",

have agreed to buy: **The Vessel with hull no. 2480 currently under construction at the premises of Daewoo Shipbuilding and Marine Engineering Co. Ltd. (the "Builder") in Okpo, Geoje Island, South Korea**

Name of vessel: **To be named "FLEX Resolute"**

IMO Number: **TBA**

Classification Society: **DNV GL**

Class Notation: **As per Attachment A**

Year of Build: **As per Attachment A** Builder/Yard: **Daewoo Shipbuilding and Marine Engineering Co. Ltd.**

Flag: **Marshall Islands** Place of Registration: **N/A** GT/NT: **As per Attachment A/ \_\_\_\_\_**

hereinafter called the "Vessel", on the following terms and conditions:

## Definitions

**"Attachment A" is the Shipbuilding Contract (as defined below). The Specification, the General Arrangement Plan and the Supplier List for the Vessel are an integral part of the Shipbuilding Contract.**

**"Attachment B" is the form of an irrevocable letter of guarantee to be issued by Blue Sea Navigation Holding Inc. pursuant to Clause 2.**

**"Attachment C" is the form of a parent company guarantee to be issued by the Buyers' ultimate parent company, Flex LNG Ltd. pursuant to Clause 21.**

**"Banking Days" are days on which banks are open both in the country of the currency stipulated for the Purchase Price in Clause 1 (Purchase Price) and in the place of closing stipulated in Clause 8 (Documentation), ~~and Norway and South Korea~~ *(add additional jurisdictions as appropriate)*.**

**"Buyers' Nominated Flag State" means **Marshall Islands**** *(state flag state)*.

**"Class" means the class notation referred to above.**

**"Classification Society" means the Society referred to above.**

"~~Deposit~~**Downpayment**" shall have the meaning given in Clause 2 (~~Deposit~~**Downpayment**)

"~~Deposit Holder~~" means \_\_\_\_\_ *(state name and location of Deposit Holder)* or, if left blank, the Sellers' Bank, which shall hold and release the ~~Deposit~~ in accordance with this Agreement.

"In writing" or "written" means a letter handed over from the Sellers to the Buyers or vice versa, a registered letter, e-mail or telefax.

"Parties" means the Sellers and the Buyers.

"Purchase Price" means the price for the Vessel as stated in Clause 1 (Purchase Price).

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“Sellers’ Account” means **the bank account notified by the Sellers to the Buyers for the receipt of the Downpayment and the balance of the Purchase Price** (*state details of bank account*) at the Sellers’ ~~b~~Bank.

“Shipbuilding Contract” means the shipbuilding contract for the construction of the Vessel entered into between the Builder and the Sellers on 26 February 2018. The Sellers shall not make any major amendments to the Shipbuilding Contract without the prior consent from the Buyers ref. Clause 19.

“Sellers’ Bank” means \_\_\_\_\_ (*state name of bank, branch and details*) or, if left blank, the bank notified by the Sellers to the Buyers for receipt of the balance of the Purchase Price.

### 1. Purchase Price

The Purchase Price is **USD 180,000,000 (United States Dollars One Hundred Eighty Million) plus USD 6,000,000 (United States Dollars Six Million) for the Full Re-liquefaction System (Burckhardt basis) as agreed between Sellers and Buyers** (*state currency and amount both in words and figures*).

### 2. ~~Deposit~~Downpayment

As security for the correct fulfilment of this Agreement the Buyers shall ~~ledge a deposit~~**make a downpayment of 30% (thirty per cent) i.e. USD 55,800,000 (United States Dollars Fifty Five Million Eight Hundred Thousand)** or, if left blank, 10% (ten per cent), of the Purchase Price (the “~~Deposit~~Downpayment”) **to the Sellers’ Account** in an interest-bearing account for the Parties with the ~~Deposit Holder~~ within three (3) Banking Days after the ~~date that~~**later of:**

- (i) this Agreement has been signed by the Parties and exchanged in original or by e-mail or telefax; **and**
- (ii) **FLEX LNG Ltd. having received the proceeds from its contemplated private placement**

(or such other date as the Parties may agree).

As security for the Sellers’ obligation to repay the Downpayment in the event that this Agreement is cancelled by the Buyers in accordance with the terms of this Agreement, the Sellers shall provide Buyers with an irrevocable letter of guarantee issued by Blue Sea Navigation Holding Inc., in form and substance as annexed hereto as Attachment B at the time of signing of this Agreement.

;  
and

- (ii) ~~the Deposit Holder has confirmed in writing to the Parties that the account has been opened.~~

~~The Deposit shall be released in accordance with joint written instructions of the Parties. Interest, if any, shall be credited to the Buyers. Any fee charged for holding and releasing the Deposit shall be borne equally by the Parties. The Parties shall provide to the Deposit Holder all necessary documentation to open and maintain the account without delay.~~

### 3. Payment

On delivery of the Vessel, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices):

- (i) ~~the Deposit shall be released to the Sellers; and~~
- (ii) the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this Agreement shall be paid in full free of bank charges to the Sellers’ Account.

**Notwithstanding the above, the Buyers and the Sellers will work together to effect a simultaneous payment under this Agreement and the balance payment of the installment payable on delivery of the Vessel from the Builder to the Sellers, by use of the same funds if deemed practical by the Parties.**

### 4. Inspection

**(a)\*** The Buyers have inspected and accepted **Attachment A and the Buyers shall accept the Vessel upon the Vessels completion according to Attachment A.**~~the Vessel's classification records.~~ The Buyers have also inspected the Vessel at/in \_\_\_\_\_ (*state place*) on \_\_\_\_\_ (*state date*) and have

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accepted the Vessel following this inspection and the sale is outright and definite, subject only to the terms and conditions of this Agreement.

(b)\* The Buyers shall have the right to inspect the Vessel's classification records and declare whether same are accepted or not within \_\_\_\_\_ (state date/period).

The Sellers shall make the Vessel available for inspection at/in \_\_\_\_\_ (state place/range) within \_\_\_\_\_ (state date/period).

The Buyers shall undertake the inspection without undue delay to the Vessel. Should the Buyers cause undue delay they shall compensate the Sellers for the losses thereby incurred.

The Buyers shall inspect the Vessel without opening up and without cost to the Sellers.

During the inspection, the Vessel's deck and engine log books shall be made available for examination by the Buyers.

The sale shall become outright and definite, subject only to the terms and conditions of this Agreement, provided that the Sellers receive written notice of acceptance of the Vessel from the Buyers within seventy-two (72) hours after completion of such inspection or after the date/last day of the period stated in Line 59, whichever is earlier.

Should the Buyers fail to undertake the inspection as scheduled and/or notice of acceptance of the Vessel's classification records and/or of the Vessel not be received by the Sellers as aforesaid, the Deposit together with interest earned, if any, shall be released immediately to the Buyers, whereafter this Agreement shall be null and void.

*\*4(a) and 4(b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 4(a) shall apply.*

## 5. Time and place of delivery and notices

(a) The Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage at/in **Okpo, Geoje Island, South Korea as per Attachment A** (state place/range) in the Sellers' option. **simultaneously with delivery from Builder to the Sellers. The agreed Notice of Readiness shall not be tendered before: \_\_\_\_\_ (date) Delivery Date as per the Shipbuilding Contract is 30 September 2020 ("Agreed Delivery Date"). The Builder may deliver the Vessel earlier than the Agreed Delivery Date pursuant to the terms of the Shipbuilding Contract.**

Cancelling Date (see Clauses 5(c), 6 (a)(i), 6 (a) (iii) and 14): \_\_\_\_\_

(b) The Sellers shall keep the Buyers well informed of the Vessel's **construction progress and shall provide the Buyers with approximate notices of the date the Sellers intend to tender Notice of Readiness** itinerary and shall provide the Buyers with twenty (20), ten (10), five (5) and three (3) days' notice of the date the Sellers intend to tender Notice of Readiness and of the intended place of delivery.

When the Vessel is **completed in accordance with Attachment A** at the place of delivery and physically ready for delivery in accordance with this Agreement, the Sellers shall give the Buyers a written Notice of Readiness for delivery.

**If the Vessel is delayed and the Sellers receive liquidated damages due to delay under the Shipbuilding Contract, the Purchase Price shall be reduced accordingly with a corresponding amount (see Attachment A).**

**Cancelling Date (see Clauses 5(c) and 14): The Cancelling Date under this Agreement shall correspond with the cancelling date under the Shipbuilding Contract.**

(c) If the Sellers anticipate that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date they may notify the Buyers in writing stating the date when they anticipate that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyers shall have the option of either cancelling this Agreement in accordance with Clause 14 (Sellers' Default) within three (3) Banking Days of receipt of the notice or of accepting the new date as the new Cancelling Date. If the Buyers have not declared their option within three (3) Banking Days of receipt of the Sellers' notification or if the Buyers accept the new date, the date proposed in the Sellers' notification shall be deemed to be the new Cancelling Date and shall be substituted for the Cancelling Date stipulated in line 79.

If this Agreement is maintained with the new Cancelling Date all other terms and conditions hereof including those contained in Clauses 5(b) and 5(d) shall remain unaltered and in full

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force and effect.

(d) Cancellation, failure to cancel or acceptance of the new Cancelling Date shall be entirely without prejudice to any claim for damages the Buyers may have under Clause 14 (Sellers' Default) for the Vessel not being ready by the original Cancelling Date.

(e) Should the Vessel become an actual, constructive or compromised total loss before delivery the **Deposit-Downpayment** together with interest **as set out in line 33** earned, if any, shall be released immediately to the Buyers whereafter this Agreement shall be null and void.

## 6. Divers Inspection / Drydocking – N/A

### (a)\*

(i) The Buyers shall have the option at their cost and expense to arrange for an underwater inspection by a diver approved by the Classification Society prior to the delivery of the Vessel. Such option shall be declared latest nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement. The Sellers shall at their cost and expense make the Vessel available for such inspection. This inspection shall be carried out without undue delay and in the presence of a Classification Society surveyor arranged for by the Sellers and paid for by the Buyers. The Buyers' representative(s) shall have the right to be present at the diver's inspection as observer(s) only without interfering with the work or decisions of the Classification Society surveyor. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the Classification Society. If the conditions at the place of delivery are unsuitable for such inspection, the Sellers shall at their cost and expense make the Vessel available at a suitable alternative place near to the delivery port, in which event the Cancelling Date shall be extended by the additional time required for such positioning and the subsequent re-positioning. The Sellers may not tender Notice of Readiness prior to completion of the underwater inspection.

(ii) ——— If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, then (1) unless repairs can be carried out afloat to the satisfaction of the Classification Society, the Sellers shall arrange for the Vessel to be drydocked at their expense for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules (2) such defects shall be made good by the Sellers at their cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\* and (3) the Sellers shall pay for the underwater inspection and the Classification Society's attendance.

Notwithstanding anything to the contrary in this Agreement, if the Classification Society do not require the aforementioned defects to be rectified before the next class drydocking survey, the Sellers shall be entitled to deliver the Vessel with these defects against a deduction from the Purchase Price of the estimated direct cost (of labour and materials) of carrying out the repairs to the satisfaction of the Classification Society, whereafter the Buyers shall have no further rights whatsoever in respect of the defects and/or repairs. The estimated direct cost of the repairs shall be the average of quotes for the repair work obtained from two reputable independent shipyards at or in the vicinity of the port of delivery, one to be obtained by each of the Parties within two (2)

Banking Days from the date of the imposition of the condition/recommendation, unless the Parties agree otherwise. Should either of the Parties fail to obtain such a quote within the stipulated time then the quote duly obtained by the other Party shall be the sole basis for the estimate of the direct repair costs. The Sellers may not tender Notice of Readiness prior to such estimate having been established.

(iii) ——— If the Vessel is to be drydocked pursuant to Clause 6(a)(ii) and no suitable dry-docking facilities are available at the port of delivery, the Sellers shall take the Vessel to a port where suitable drydocking facilities are available, whether within or outside the delivery range as per Clause 5(a). Once drydocking has taken place the Sellers shall deliver the Vessel at a port within the delivery range as per Clause 5(a) which shall, for the purpose of this Clause, become the new port of delivery. In such event the Cancelling Date shall be extended by the additional time required for the drydocking and extra steaming, but limited to a maximum of fourteen (14) days.

(b)\* The Sellers shall place the Vessel in drydock at the port of delivery for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules. If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken,

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damaged or defective so as to affect the Vessel's class, such defects shall be made good at the Sellers' cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\*. In such event the Sellers are also to pay for the costs and expenses in connection with putting the Vessel in and taking her out of drydock, including the drydock dues and the Classification Society's fees. The Sellers shall also pay for these costs and expenses if parts of the tailshaft system are condemned or found defective or broken so as to affect the Vessel's class. In all other cases, the Buyers shall pay the aforesaid costs and expenses, dues and fees.

(e) If the Vessel is drydocked pursuant to Clause 6 (a)(ii) or 6 (b) above:

(i) — The Classification Society may require survey of the tailshaft system, the extent of the survey being to the satisfaction of the Classification surveyor. If such survey is not required by the Classification Society, the Buyers shall have the option to require the tailshaft to be drawn and surveyed by the Classification Society, the extent of the survey being in accordance with the Classification Society's rules for tailshaft survey and consistent with the current stage of the Vessel's survey cycle. The Buyers shall declare whether they require the tailshaft to be drawn and surveyed not later than by the completion of the inspection by the Classification Society. The drawing and refitting of the tailshaft shall be arranged by the Sellers. Should any parts of the tailshaft system be condemned or found defective so as to affect the Vessel's class, those parts shall be renewed or made good at the Sellers' cost and expense to the satisfaction of Classification Society without condition/recommendation\*\*.

(ii) — The costs and expenses relating to the survey of the tailshaft system shall be borne by the Buyers unless the Classification Society requires such survey to be carried out or if parts of the system are condemned or found defective or broken so as to affect the Vessel's class, in which case the Sellers shall pay these costs and expenses.

(iii) — The Buyers' representative(s) shall have the right to be present in the drydock, as observer(s) only without interfering with the work or decisions of the Classification Society surveyor.

(iv) — The Buyers shall have the right to have the underwater parts of the Vessel cleaned and painted at their risk, cost and expense without interfering with the Sellers' or the Classification Society surveyor's work, if any, and without affecting the Vessel's timely delivery. If, however, the Buyers' work in drydock is still in progress when the Sellers have completed the work which the Sellers are required to do, the additional docking time needed to complete the Buyers' work shall be for the Buyers' risk, cost and expense. In the event that the Buyers' work requires such additional time, the Sellers may upon completion of the Sellers' work tender Notice of Readiness for delivery whilst the Vessel is still in drydock and, notwithstanding Clause 5(a), the Buyers shall be obliged to take delivery in accordance with Clause 3 (Payment), whether the Vessel is in drydock or not.

*\*6 (a) and 6 (b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 6 (a) shall apply.*

*\*\*Notes or memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/ recommendation are not to be taken into account.*

## 7. Spares, bunkers and other items

The Sellers shall deliver the Vessel to the Buyers with everything belonging to her on board and on shore **as per Attachment A**. All spare parts and spare equipment including spare tail-end shaft(s) and/or spare propeller(s)/propeller blade(s), if any, ~~belonging to the Vessel at the time of inspection~~ **ordered separately by the Buyers during construction (i.e. not being part of the Specification)** used or unused, whether on board or not shall become the Buyers' property, **but together with spares on order are excluded shall be included in the sale and the Buyers shall pay the actual net price to the Sellers**. Forwarding charges, if any, shall be for the Buyers' account. The Sellers are not required to replace spare parts including spare tail-end shaft(s) and spare propeller(s)/propeller blade(s) which are taken out of spare and used as replacement prior to delivery, but the replaced items shall be the property of the Buyers. Unused stores and provisions shall be included in the sale and be taken over by the Buyers without extra payment.

Library and forms exclusively for use in the Sellers' vessel(s) and captain's, officers' and crew's personal belongings including the slop chest are excluded from the sale without compensation, as well as the following additional items: \_\_\_\_\_ *(include list)*

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Items on board which are on hire or owned by third parties, listed as follows, are excluded from the sale without compensation: \_\_\_\_\_  
(include list)

Items on board at the time of inspection which are on hire or owned by third parties, not listed above, shall be replaced or procured by the Sellers prior to delivery at their cost and expense.

The Buyers shall take over remaining bunkers and unused lubricating and hydraulic oils and greases in storage tanks and unopened drums **and fuel oil, LNG, other liquefied gases, fresh water or consumable stores which are on board the Vessel at the time of delivery** and pay either:

(a) \*the actual net price (excluding barging expenses) as evidenced by invoices or vouchers; or

(b) \*the current net market price (excluding barging expenses) at the port and date of delivery of the Vessel or, if unavailable, at the nearest bunkering port;

for the quantities taken over.

Payment under this Clause shall be made at the same time and place and in the same currency as the Purchase Price.

"inspection" in this Clause 7, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspection), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*(a) and (b) are alternatives, delete whichever is not applicable. In the absence of deletions alternative (a) shall apply.*

## 8. Documentation

The place of closing: **At the Builder's shipyard in Okpo, Geoje Island, South Korea or such other place as the Parties may agree**

(a) In exchange for payment of the Purchase Price the Sellers shall provide the Buyers with the following delivery documents:

(i) Legal Bill(s) of Sale in a form recordable in the Buyers' Nominated Flag State, transferring title of the Vessel and stating that the Vessel is free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, duly notarially attested and legalised or apostilled, as required by the Buyers' Nominated Flag State;

(ii) Evidence that all necessary corporate, shareholder and other action has been taken by the Sellers to authorise the execution, delivery and performance of this Agreement;

(iii) Power of Attorney of the Sellers appointing one or more representatives to act on behalf of the Sellers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate);

(iv) **Protocol of Delivery and Acceptance signed by the Builder and the Sellers, to be countersigned by the Buyers, and Builders' Certificate issued to the Sellers by the Builder, both duly notarially attested and legalized Certificate or Transcript of Registry issued by the competent authorities of the flag state on the date of delivery evidencing the Sellers' ownership of the Vessel and that the Vessel is free from registered encumbrances and mortgages, to be faxed or e-mailed by such authority to the closing meeting with the original to be sent to the Buyers as soon as possible after delivery of the Vessel;**

(v) **Class Certificates in form as required to be delivered by the Builder to the Sellers as per Attachment A Declaration of Class or (depending on the Classification Society) a Class Maintenance Certificate issued within three (3) Banking Days prior to delivery confirming that the Vessel is in Class free of condition/recommendation;**

(vi) **A statement from the Sellers in a form acceptable to the Buyers' nominated ship registry, stating that the Vessel has never been registered in any ship registry. Certificate of Deletion of the Vessel from the Vessel's registry or other official evidence of deletion appropriate to the Vessel's registry at the time of delivery, or, in the event that the registry does not as a matter of practice issue such documentation immediately, a written undertaking by the Sellers to effect deletion from the Vessel's registry forthwith and provide a certificate or other official evidence of deletion to the Buyers promptly and latest within four (4) weeks after the Purchase Price has been paid and the Vessel has been delivered;**

(vii) ~~A copy of the Vessel's Continuous Synopsis Record certifying the date on which the Vessel ceased to be registered with the Vessel's registry, or, in the event that the registry~~

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does not as a matter of practice issue such certificate immediately, a written undertaking from the Sellers to provide the copy of this certificate promptly upon it being issued together with evidence of submission by the Sellers of a duly executed Form 2 stating the date on which the Vessel shall cease to be registered with the Vessel's registry;

(viii) Commercial Invoice for the Vessel;

(ix) Commercial Invoice(s) for bunkers, lubricating and hydraulic oils and greases;

(x) ~~A copy of the Sellers' letter to their satellite communication provider cancelling the Vessel's communications contract which is to be sent immediately after delivery of the Vessel;~~

(xi) Any additional documents **as listed in Attachment A and/or** as may reasonably be required by the competent authorities of the Buyers' Nominated Flag State for the purpose of registering the Vessel, provided the Buyers notify the Sellers of any such documents as soon as possible after the date of this Agreement; and

(xii) ~~The Sellers' letter of confirmation that to the best of their knowledge, the Vessel is not black listed by any nation or international organisation.~~ **copy of the sea trial results duly approved by the Classification Society as per Attachment A; and**

(xiii) **An assignment in favour of the Buyers whereby the Sellers assign all warranties of the Builder towards the Sellers (including as provided in Attachment A) and also an assignment of any warranty or service or spare part arrangement that a maker or subcontractor has provided to the Sellers in respect of the Vessel.**

(b) At the time of delivery the Buyers shall provide the Sellers with:

(i) Evidence that all necessary corporate, shareholder and other action has been taken by the Buyers to authorise the execution, delivery and performance of this Agreement; and

(ii) Power of Attorney of the Buyers appointing one or more representatives to act on behalf of the Buyers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate).

(c) If any of the documents listed in Sub-clauses (a) and (b) above are not in the English language they shall be accompanied by an English translation by an authorised translator or certified by a lawyer qualified to practice in the country of the translated language.

(d) The Parties shall to the extent possible exchange copies, drafts or samples of the documents listed in Sub-clause (a) and Sub-clause (b) above for review and comment by the other party not later than **3 days** (*state number of days*), or if left blank, **nine (9) days** prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement.

(e) Concurrent with the exchange of documents in Sub-clause (a) and Sub-clause (b) above, the Sellers shall also hand to the Buyers the classification certificate(s) as well as all plans, drawings and manuals, (excluding ISM/ISPS manuals), which are on board the Vessel. Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers have the right to take copies.

(f) Other technical documentation which may be in the Sellers' possession shall promptly after delivery be forwarded to the Buyers at their expense, if they so request. ~~The Sellers may keep the Vessel's log books but the Buyers have the right to take copies of same.~~

(g) The Parties shall sign and deliver to each other a Protocol of Delivery and Acceptance confirming the date and time of delivery of the Vessel from the Sellers to the Buyers.

## 9. Encumbrances

The Sellers warrant that the Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts whatsoever, and is not subject to Port State or other administrative detentions. The Sellers hereby undertake to indemnify the Buyers against all consequences of claims made against the Vessel which have been incurred prior to the time of delivery.

## 10. Taxes, fees and expenses

Any taxes, fees and expenses in connection with the purchase and registration in the Buyers'

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Nominated Flag State shall be for the Buyers' account, whereas similar charges in connection with the closing of the Sellers' register shall be for the Sellers' account.

## 11. Condition on delivery

The Vessel with everything belonging to her shall be at the Sellers' risk and expense until she is delivered to the Buyers, but subject to the terms and conditions of this Agreement she shall be delivered and taken over as **per Attachment A with new Class certificates, free of damage affecting the Vessel's Class and with her Class and national certificates valid and duly executed without condition/recommendation by the relevant authorities at the time of delivery.**

**Notwithstanding the above, the Buyers shall be required to accept the Vessel if the Sellers is required to accept the Vessel and take delivery of the Vessel from the Builder pursuant to the Shipbuilding Contract. As such;**

**The Buyers shall not unreasonably reject the Vessel because of minor or insubstantial defect or non-conformity judged from the viewpoint of generally accepted good shipbuilding practice, and the Buyers shall not be entitled to refuse delivery by reason only of a deficiency in the Vessel's guaranteed speed and/or fuel consumption and/or the guaranteed cargo capacity and/or the guaranteed boil-off rate, unless the Sellers in its capacity as buyers under the Shipbuilding Contract is entitled to reject delivery vis-a-vis the Builder. If any such deficiencies exceed limits, the Buyers shall be entitled to deduct from the Purchase Price such amounts as the Sellers is entitled to deduct from the contract price under the Shipbuilding Contract vis-a-vis the Builder.**

**After completion of sea trials and the gas trials (as per Attachment A) and receipt by the Buyers of a copy of the Builders notice for delivery, the Buyers shall, within 1 day after receipt of such notice, notify the Sellers of its intended acceptance or rejection of the Vessel on the basis of its conformity with the requirements of Attachment A.**

she was at the time of inspection, fair wear and tear excepted.

However, the Vessel shall be delivered free of cargo and free of stowaways with her Class maintained without condition/~~recommendation\*~~, free of average damage affecting the Vessel's class, and with her classification certificates and national certificates, as well as all other certificates the Vessel had at the time of inspection, valid and unextended without condition/~~recommendation\*~~ by the Classification Society or the relevant authorities at the time of delivery.

~~"inspection" in this Clause 11, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspections), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.~~

~~\*Notes and memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/  
recommendation are not to be taken into account.~~

## 12. Name/markings

~~The Vessel shall be delivered by the Sellers to the Buyers with the Buyers' name and funnel marking. Upon delivery the Buyers undertake to change the name of the Vessel and alter funnel markings.~~

## 13. Buyers' default

Should the ~~Deposit~~ **Downpayment** not be lodged ~~paid~~ in accordance with Clause 2 (~~Deposit~~**Downpayment**), the Sellers have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest.

Should the Purchase Price not be paid in accordance with Clause 3 (Payment), the Sellers have the right to cancel this Agreement, in which case ~~the Deposit together with interest earned, if any, shall be released to the Sellers. If the Deposit does not cover their loss,~~ the Sellers shall be entitled to claim ~~further~~ compensation for their losses and for all expenses incurred together with interest **due to Buyers' proven breach. The Sellers shall have a right to deduct from the Downpayment all such claims for compensation as they are entitled to pursuant to this Clause 13. After the Sellers have made such deductions, the Sellers shall return the balance of the Downpayment to the Buyers.**

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#### 14. Sellers' default

Should the Sellers fail to give Notice of Readiness in accordance with Clause 5(b) or fail to be ready to validly complete a legal transfer by the Cancelling Date the Buyers shall have the option of cancelling this Agreement. If after Notice of Readiness has been given but before the Buyers have taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and new Notice of Readiness given, the Buyers shall retain their option to cancel **subject to Clause 5c above**. In the event that the Buyers elect to cancel this Agreement, the ~~Deposit-Downpayment~~ together with interest earned, ~~if any~~ **as set out in line 33**, shall be **refunded** released to them immediately.

Should the Sellers fail to give Notice of Readiness by the Cancelling Date or fail to be ready to validly complete a legal transfer as aforesaid they shall **be obliged to release the Downpayment including interest thereon to the Buyers, but otherwise not have any obligations towards the Buyers** ~~make due compensation to the Buyers for their loss and for all expenses together with interest if their failure is due to proven negligence and whether or not the Buyers cancel this Agreement.~~

#### 15. Buyers' representatives

After this Agreement has been signed by the Parties and the ~~Deposit-Downpayment~~ has been ~~ledged~~ paid, the Buyers shall at any time thereafter have the right to visit the Yard and inspect the work in progress and have the right to place ~~two (2)~~ representatives on ~~site~~ board the Vessel at their sole risk and expense to work with and cooperate with the existing site management team. The Buyers' representatives shall have customary access to the Vessel, the Yard facilities and relevant shipbuilding documents and drawings as per customary practice and have the right to be present at all inspections, tests and sea trials and sea trial results.

The Sellers shall keep the Buyers well informed of any upcoming milestones and of any inspections and tests both at the Yard and with respect to subcontractors work, to ensure that the Buyers is able to attend the same. The Buyers shall attend as observers only, shall not interfere or obstruct the construction process and shall comply with the Sellers site managers instruction.

The Sellers shall make available customary office space at the Yard for the Buyers representatives if the Buyers so request. The Sellers shall make available for Buyers review all correspondence, notices and other documents related to technical (as opposed to commercial) matters under construction process and shall provide copies of the same upon the Buyers request.

~~These representatives are on board for the purpose of familiarisation and in the capacity of observers only, and they shall not interfere in any respect with the operation of the Vessel. The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation.~~

#### 16. Law and Arbitration

(a) \*This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.

The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both Parties as if the sole arbitrator had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$100,000 the

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arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

~~(b) \*This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the substantive law (not including the choice of law rules) of the State of New York and any dispute arising out of or in connection with this Agreement shall be referred to three (3) persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.~~

~~In cases where neither the claim nor any counterclaim exceeds the sum of US\$ 100,000 the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc.~~

~~(c) This Agreement shall be governed by and construed in accordance with the laws of (state place) and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at \_\_\_\_\_ (state place), subject to the procedures applicable there.~~

~~\*16(a), 16(b) and 16(c) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 16(a) shall apply.~~

## 17. Notices

All notices to be provided under this Agreement shall be in writing.

Contact details for recipients of notices are as follows:

For the Buyers: **FLEX LNG Resolute Limited**

**c/o FLEX LNG Management Ltd.  
Bryggegata 3  
0250 Oslo  
Norway**

**Attention: Øystein M. Kalleklev  
Email: Oystein.Kalleklev@flexlng.com**

**With copy to: Marius Hermansen  
Email: Marius.Hermansen@seatankersmgt.com**

For the Sellers: **Sea Resolute Inc.,**

**c/o Seatankers Management Company Ltd.  
P.O. Box 53562,  
CY-3399 Limassol,  
Cyprus**

**(Deanna Beach Apartments, Block 1, 4th Floor,  
Promachon Eleftherias Street, Ayios Athanasios,  
CY-4013 Limassol,  
Cyprus)**

**Attention: Spyros Episkopou  
Telephone: +357 25 858 300  
Email: spyros.episkopou@seatankers.com.cy**

**With copy to: Marius Hermansen  
Email: Marius.Hermansen@seatankersmgt.com**

## 18. Entire Agreement

The written terms of this Agreement comprise the entire agreement between the Buyers and the Sellers in relation to the sale and purchase of the Vessel and supersede all previous agreements whether oral or written between the Parties in relation thereto.

Each of the Parties acknowledges that in entering into this Agreement it has not relied on and shall have no right or remedy in respect of any statement, representation, assurance or

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warranty (whether or not made negligently) other than as is expressly set out in this Agreement.

Any terms implied into this Agreement by any applicable statute or law are hereby excluded to the extent that such exclusion can legally be made. Nothing in this Clause shall limit or exclude any liability for fraud.

**19. Modifications, changes and extras**

**The Sellers shall not agree to any major amendments, modifications or changes to the Specifications, the General Arrangement Plan or the Supplier List without the Buyers' prior written consent.**

**Modifications or changes to the Specifications and the General Arrangement Plan may be requested by the Buyers substantially on the terms set out in the Shipbuilding Contract and the Sellers shall take the necessary action to request such changes from the Builder. The Sellers agreement with the Builder in respect of any such changes or modifications in respect of which the Builder requires a change in the contract price, delivery date, Specifications or other terms of the Shipbuilding Contract within normal practice for such changes or modifications shall be at Buyers cost and the delivery date under this Agreement shall be updated accordingly.**

**20. Termination of the Shipbuilding Contract**

**Should the Sellers be entitled to cancel the Shipbuilding Contract before delivery then they will inform the Buyers without delay and both Parties will then jointly decide how to progress with the situation at hand. The Sellers will not cancel the Shipbuilding Contract without prior consent of Buyers, such consent not to be unreasonably withheld.**

**21. Parent Company Guarantee**

**At the time of signing of this Agreement, the Buyers shall provide the Sellers with a performance guarantee in such form and substance as attached hereto in Attachment C, duly executed by the Buyers' ultimate parent company, Flex LNG Ltd. (the "Guarantee").**

**The Guarantee shall apply in respect of all obligations assumed by the Buyers under this Agreement, but shall in all circumstances be limited to the Purchase Price plus accrued interest as applicable.**

**22. Building Supervision**

**The Purchase Price is inclusive of the Sellers building supervision of the Vessel during the construction period.**

**23. Condition Precedent**

**It is a condition precedent for the effectiveness of this MOA that the USD 300 million private placement in Flex LNG Ltd. is successfully carried out including that Flex LNG Ltd. has received the proceeds from the private placement.**

For and on behalf of the Sellers

/s/ Spyros Episkopou  
Name: Spyros Episkopou  
Title: Director

/s/ Eirini Santhi Theocharous  
Name: Eirini Santhi Theocharous  
Title: Director

For and on behalf of the Buyers

/s/ Marius Hermansen  
Name: Marius Hermansen  
Title: Attorney-in-Fact

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## MEMORANDUM OF AGREEMENT

Norwegian Shipbrokers' Association's  
Memorandum of Agreement for sale and  
purchase of ships. Adopted by BIMCO in 1956.  
Code-name  
**SALEFORM 2012**  
Revised 1966, 1983 and 1986/87, 1993 and 2012

Dated: **15 October 2018**

**Vigilant Shipowning Inc., a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands**

*(Name of sellers)*, hereinafter called the “Sellers”, have agreed to sell, and

**Flex Vigilant Limited, a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands** *(Name of buyers)*, hereinafter called the “Buyers”,

have agreed to buy: **The Vessel with hull no. 8013 currently under construction at the premises of Hyundai Samho Heavy Industries Co. Ltd. (the “Builder”) in South Korea**

Name of vessel: **To be named “FLEX Vigilant”**

IMO Number: **TBA**

Classification Society: **DNV GL**

Class Notation: **As per Attachment A**

Year of Build: **As per Attachment A** Builder/Yard: **Hyundai Samho Heavy Industries Co. Ltd.**

Flag: **Marshall Islands** Place of Registration: **N/A** GT/NT: **As per Attachment A/\_\_\_\_\_**

hereinafter called the “Vessel”, on the following terms and conditions:

### Definitions

**“Attachment A” is the Shipbuilding Contract (as defined below). The Specification, the General Arrangement Plan and the Supplier List for the Vessel are an integral part of the Shipbuilding Contract.**

**“Attachment B” is the form of an irrevocable letter of guarantee to be issued by Blue Sea Navigation Holding Inc. pursuant to Clause 2.**

**“Attachment C” is the form of a performance guarantee to be issued by the Buyers’ ultimate parent company, Flex LNG Ltd. pursuant to Clause 21.**

“Banking Days” are days on which banks are open both in the country of the currency stipulated for the Purchase Price in Clause 1 (Purchase Price) and in the place of closing stipulated in Clause 8 (Documentation), ~~and Norway and South Korea~~ *(add additional jurisdictions as appropriate)*.

“Buyers’ Nominated Flag State” means **Marshall Islands** *(state flag state)*.

“Class” means the class notation referred to above.

“Classification Society” means the Society referred to above.

"~~Deposit~~**Downpayment**" shall have the meaning given in Clause 2 (~~Deposit~~**Downpayment**)

"~~Deposit Holder~~" means \_\_\_\_\_ (*state name and location of Deposit Holder*) or, if left blank, the Sellers' Bank, which shall hold and release the ~~Deposit~~ in accordance with this Agreement.

"In writing" or "written" means a letter handed over from the Sellers to the Buyers or vice versa, a registered letter, e-mail or telefax.

"Parties" means the Sellers and the Buyers.

"Purchase Price" means the price for the Vessel as stated in Clause 1 (Purchase Price).

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“Sellers’ Account” means **the bank account notified by the Sellers to the Buyers for the receipt of the Downpayment and the balance of the Purchase Price** (~~state details of bank account~~) at the Sellers’ ~~b~~Bank.

“Shipbuilding Contract” means the shipbuilding contract for the construction of the Vessel entered into between the Builder and the Sellers on 30 June 2018. The Sellers shall not make any major amendments to the Shipbuilding Contract without the prior consent from the Buyers ref. Clause 19.

“Sellers’ Bank” means \_\_\_\_\_ (~~state name of bank, branch and details~~) or, if left blank, the bank notified by the Sellers to the Buyers for receipt of the balance of the Purchase Price.

## 1. Purchase Price

The Purchase Price is **USD 180,000,000 (United States Dollars One Hundred Eighty Million)** (~~state currency and amount both in words and figures~~).

## 2. ~~Deposit~~Downpayment

As security for the correct fulfilment of this Agreement the Buyers shall ~~ledge a deposit~~**make a downpayment of 30% (thirty per cent) i.e. USD 54,000,000 (United States Dollars Fifty Four Million)** or, if left blank, ~~10% (ten per cent)~~, of the Purchase Price (the “~~Deposit~~Downpayment”) to the Sellers’ Account in an interest bearing account for the Parties with the ~~Deposit Holder~~ within three (3) Banking Days after the ~~date that~~**later of**:

- (i) this Agreement has been signed by the Parties and exchanged in original or by e-mail or telefax; **and**
- (ii) **FLEX LNG Ltd. having received the proceeds from its contemplated private placement (or such other date as the Parties may agree).**

**As security for the Sellers’ obligation to repay the Downpayment in the event that this Agreement is cancelled by the Buyers in accordance with the terms of this Agreement, the Sellers shall provide Buyers with an irrevocable letter of guarantee issued by Blue Sea Navigation Holding Inc., in form and substance as annexed hereto as Attachment B at the time of signing of this Agreement.**

~~;~~ and

- (~~ii~~) the ~~Deposit Holder~~ has confirmed in writing to the Parties that the account has been ~~opened~~.

The ~~Deposit~~ shall be released in accordance with joint written instructions of the Parties. Interest, if any, shall be credited to the Buyers. Any fee charged for holding and releasing the ~~Deposit~~ shall be borne equally by the Parties. The Parties shall provide to the ~~Deposit Holder~~ all necessary documentation to open and maintain the account without delay.

## 3. Payment

On delivery of the Vessel, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices):

- (i) ~~the Deposit shall be released to the Sellers;~~ and
- (ii) the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this Agreement shall be paid in full free of bank charges to the Sellers’ Account.

**Notwithstanding the above, the Buyers and the Sellers will work together to effect a simultaneous payment under this Agreement and the balance payment of the installment payable on delivery of the Vessel from the Builder to the Sellers, by use of the same funds if deemed practical by the Parties.**

## 4. Inspection



**(a)\*** The Buyers have inspected and accepted **Attachment A and the Buyers shall accept the Vessel 52 upon the Vessels completion according to Attachment A.**~~the Vessel's classification records. The Buyers have also inspected the Vessel at/in \_\_\_\_\_ (state place) on \_\_\_\_\_ (state date) and have accepted the Vessel following this inspection and the sale is outright and definite, subject only~~

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to the terms and conditions of this Agreement.

**(b)\*** The Buyers shall have the right to inspect the Vessel's classification records and declare whether same are accepted or not within \_\_\_\_\_ (state date/period).

The Sellers shall make the Vessel available for inspection at/in \_\_\_\_\_ (state place/range) within \_\_\_\_\_ (state date/period).

The Buyers shall undertake the inspection without undue delay to the Vessel. Should the Buyers cause undue delay they shall compensate the Sellers for the losses thereby incurred.

The Buyers shall inspect the Vessel without opening up and without cost to the Sellers.

During the inspection, the Vessel's deck and engine log books shall be made available for examination by the Buyers.

The sale shall become outright and definite, subject only to the terms and conditions of this Agreement, provided that the Sellers receive written notice of acceptance of the Vessel from the Buyers within seventy-two (72) hours after completion of such inspection or after the date/last day of the period stated in Line 59, whichever is earlier.

Should the Buyers fail to undertake the inspection as scheduled and/or notice of acceptance of the Vessel's classification records and/or of the Vessel not be received by the Sellers as aforesaid, the Deposit together with interest earned, if any, shall be released immediately to the Buyers, whereafter this Agreement shall be null and void.

*\*4(a) and 4(b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 4(a) shall apply.*

## **5. Time and place of delivery and notices**

**(a)** The Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage at/in **Daebul-ro, Samho-eup, Yeongam-gun, Jeollanamdo-Do, South Korea as per Attachment A** (state place/range) in the Sellers' option, **simultaneously with delivery from Builder to the Sellers. The agreed Notice of Readiness shall not be tendered before: \_\_\_\_\_ (date) Delivery Date as per the Shipbuilding Contract is 31 May 2021 ("Agreed Delivery Date"). The Builder may deliver the Vessel earlier than the Agreed Delivery Date pursuant to the terms of the Shipbuilding Contract.**

Cancelling Date (see Clauses 5(c), 6 (a)(i), 6 (a) (iii) and 14): \_\_\_\_\_

**(b)** The Sellers shall keep the Buyers well informed of the Vessel's **construction progress and shall provide the Buyers with approximate notices of the date the Sellers intend to tender Notice of Readiness** itinerary and shall provide the Buyers with twenty (20), ten (10), five (5) and three (3) days' notice of the date the Sellers intend to tender Notice of Readiness and of the intended place of delivery.

When the Vessel is **completed in accordance with Attachment A** at the place of delivery and physically ready for delivery in accordance with this Agreement, the Sellers shall give the Buyers a written Notice of Readiness for delivery.

**If the Vessel is delayed and the Sellers receive liquidated damages due to delay under the Shipbuilding Contract, the Purchase Price shall be reduced accordingly with a corresponding amount (see Attachment A).**

**Cancelling Date (see Clauses 5(c) and 14): The Cancelling Date under this Agreement shall correspond with the cancelling date under the Shipbuilding Contract.**

**(c)** If the Sellers anticipate that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date they may notify the Buyers in writing stating the date when they anticipate that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyers shall have the option of either cancelling this Agreement in accordance with Clause 14 (Sellers' Default) within three (3) Banking Days of receipt of the notice or of accepting the new date as the new Cancelling Date. If the Buyers have not declared their option within three (3) Banking Days of receipt of the Sellers' notification or if the Buyers accept the new date, the date proposed in the Sellers' notification shall be deemed to be the new Cancelling Date and shall be substituted for the Cancelling Date stipulated in line 79.

If this Agreement is maintained with the new Cancelling Date all other terms and conditions hereof including those contained in Clauses 5(b) and 5(d) shall remain unaltered and in full

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force and effect.

~~(d)~~ Cancellation, failure to cancel or acceptance of the new Cancelling Date shall be entirely without prejudice to any claim for damages the Buyers may have under Clause 14 (Sellers' Default) for the Vessel not being ready by the original Cancelling Date.

(e) Should the Vessel become an actual, constructive or compromised total loss before delivery the **Deposit-Downpayment** together with interest **as set out in line 33** earned, if any, shall be released immediately to the Buyers whereafter this Agreement shall be null and void.

## 6. Divers Inspection / Drydocking – N/A

~~(a)\*~~

~~(i)~~ The Buyers shall have the option at their cost and expense to arrange for an underwater inspection by a diver approved by the Classification Society prior to the delivery of the Vessel. Such option shall be declared latest nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement. The Sellers shall at their cost and expense make the Vessel available for such inspection. This inspection shall be carried out without undue delay and in the presence of a Classification Society surveyor arranged for by the Sellers and paid for by the Buyers. The Buyers' representative(s) shall have the right to be present at the diver's inspection as observer(s) only without interfering with the work or decisions of the Classification Society surveyor. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the Classification Society. If the conditions at the place of delivery are unsuitable for such inspection, the Sellers shall at their cost and expense make the Vessel available at a suitable alternative place near to the delivery port, in which event the Cancelling Date shall be extended by the additional time required for such positioning and the subsequent re-positioning. The Sellers may not tender Notice of Readiness prior to completion of the underwater inspection.

~~(ii)~~ If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, then (1) unless repairs can be carried out afloat to the satisfaction of the Classification Society, the Sellers shall arrange for the Vessel to be drydocked at their expense for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules (2) such defects shall be made good by the Sellers at their cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\* and (3) the Sellers shall pay for the underwater inspection and the Classification Society's attendance.

Notwithstanding anything to the contrary in this Agreement, if the Classification Society do not require the aforementioned defects to be rectified before the next class drydocking survey, the Sellers shall be entitled to deliver the Vessel with these defects against a deduction from the Purchase Price of the estimated direct cost (of labour and materials) of carrying out the repairs to the satisfaction of the Classification Society, whereafter the Buyers shall have no further rights whatsoever in respect of the defects and/or repairs. The estimated direct cost of the repairs shall be the average of quotes for the repair work obtained from two reputable independent shipyards at or in the vicinity of the port of delivery, one to be obtained by each of the Parties within two (2) Banking Days from the date of the imposition of the condition/recommendation, unless the Parties agree otherwise. Should either of the Parties fail to obtain such a quote within the stipulated time then the quote duly obtained by the other Party shall be the sole basis for the estimate of the direct repair costs. The Sellers may not tender Notice of Readiness prior to such estimate having been established.

~~(iii)~~ If the Vessel is to be drydocked pursuant to Clause 6(a)(ii) and no suitable dry-docking facilities are available at the port of delivery, the Sellers shall take the Vessel to a port where suitable drydocking facilities are available, whether within or outside the delivery range as per Clause 5(a). Once drydocking has taken place the Sellers shall deliver the Vessel at a port within the delivery range as per Clause 5(a) which shall, for the purpose of this Clause, become the new port of delivery. In such event the Cancelling Date shall be extended by the additional time required for the drydocking and extra steaming, but limited to a maximum of fourteen (14) days.

~~(b)\*~~ The Sellers shall place the Vessel in drydock at the port of delivery for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules. If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken,

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damaged or defective so as to affect the Vessel's class, such defects shall be made good at the Sellers' cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\*. In such event the Sellers are also to pay for the costs and expenses in connection with putting the Vessel in and taking her out of drydock, including the drydock dues and the Classification Society's fees. The Sellers shall also pay for these costs and expenses if parts of the tailshaft system are condemned or found defective or broken so as to affect the Vessel's class. In all other cases, the Buyers shall pay the aforesaid costs and expenses, dues and fees.

~~(e) If the Vessel is drydocked pursuant to Clause 6 (a)(ii) or 6 (b) above:~~

~~(i) The Classification Society may require survey of the tailshaft system, the extent of the survey being to the satisfaction of the Classification surveyor. If such survey is not required by the Classification Society, the Buyers shall have the option to require the tailshaft to be drawn and surveyed by the Classification Society, the extent of the survey being in accordance with the Classification Society's rules for tailshaft survey and consistent with the current stage of the Vessel's survey cycle. The Buyers shall declare whether they require the tailshaft to be drawn and surveyed not later than by the completion of the inspection by the Classification Society. The drawing and refitting of the tailshaft shall be arranged by the Sellers. Should any parts of the tailshaft system be condemned or found defective so as to affect the Vessel's class, those parts shall be renewed or made good at the Sellers' cost and expense to the satisfaction of Classification Society without condition/recommendation\*\*.~~

~~(ii) The costs and expenses relating to the survey of the tailshaft system shall be borne by the Buyers unless the Classification Society requires such survey to be carried out or if parts of the system are condemned or found defective or broken so as to affect the Vessel's class, in which case the Sellers shall pay these costs and expenses.~~

~~(iii) The Buyers' representative(s) shall have the right to be present in the drydock, as observer(s) only without interfering with the work or decisions of the Classification Society surveyor.~~

~~(iv) The Buyers shall have the right to have the underwater parts of the Vessel cleaned and painted at their risk, cost and expense without interfering with the Sellers' or the Classification Society surveyor's work, if any, and without affecting the Vessel's timely delivery. If, however, the Buyers' work in drydock is still in progress when the Sellers have completed the work which the Sellers are required to do, the additional docking time needed to complete the Buyers' work shall be for the Buyers' risk, cost and expense. In the event that the Buyers' work requires such additional time, the Sellers may upon completion of the Sellers' work tender Notice of Readiness for delivery whilst the Vessel is still in drydock and, notwithstanding Clause 5(a), the Buyers shall be obliged to take delivery in accordance with Clause 3 (Payment), whether the Vessel is in drydock or not.~~

~~\*6 (a) and 6 (b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 6 (a) shall apply.~~

~~\*\*Notes or memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/recommendation are not to be taken into account.~~

## 7. Spares, bunkers and other items

The Sellers shall deliver the Vessel to the Buyers with everything belonging to her on board and on shore **as per Attachment A**. All spare parts and spare equipment including spare tail-end shaft(s) and/or spare propeller(s)/propeller blade(s), if any, ~~belonging to the Vessel at the time of inspection~~ **ordered separately by the Buyers during construction (i.e. not being part of the Specification)** used or unused, whether on board or not shall become the Buyers' property, **but together with spares on order are excluded shall be included in the sale and the Buyers shall pay the actual net price to the Sellers**. Forwarding charges, if any, shall be for the Buyers' account. The Sellers are not required to replace spare parts including spare tail-end shaft(s) and spare propeller(s)/propeller blade(s) which are taken out of spare and used as replacement prior to delivery, but the replaced items shall be the property of the Buyers. Unused stores and provisions shall be included in the sale and be taken over by the Buyers without extra payment.

Library and forms exclusively for use in the Sellers' vessel(s) and captain's, officers' and crew's personal belongings including the slop chest are excluded from the sale without compensation, as well as the following additional items: \_\_\_\_\_ (include list)

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Items on board which are on hire or owned by third parties, listed as follows, are excluded from the sale without compensation: \_\_\_\_\_  
(include list)

Items on board at the time of inspection which are on hire or owned by third parties, not listed above, shall be replaced or procured by the Sellers prior to delivery at their cost and expense.

The Buyers shall take over remaining bunkers and unused lubricating and hydraulic oils and greases in storage tanks and unopened drums **and fuel oil, LNG, other liquefied gases, fresh water or consumable stores which are on board the Vessel at the time of delivery** and pay either:

(a) \*the actual net price (excluding barging expenses) as evidenced by invoices or vouchers; or

(b) \*the current net market price (excluding barging expenses) at the port and date of delivery of the Vessel or, if unavailable, at the nearest bunkering port;

for the quantities taken over.

Payment under this Clause shall be made at the same time and place and in the same currency as the Purchase Price.

"inspection" in this Clause 7, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspection), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*(a) and (b) are alternatives, delete whichever is not applicable. In the absence of deletions alternative (a) shall apply.*

## 8. Documentation

The place of closing: **At the Builder's shipyard in South Korea or such other place as the Parties may agree**

(a) In exchange for payment of the Purchase Price the Sellers shall provide the Buyers with the following delivery documents:

(i) Legal Bill(s) of Sale in a form recordable in the Buyers' Nominated Flag State, transferring title of the Vessel and stating that the Vessel is free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, duly notarially attested and legalised or apostilled, as required by the Buyers' Nominated Flag State;

(ii) Evidence that all necessary corporate, shareholder and other action has been taken by the Sellers to authorise the execution, delivery and performance of this Agreement;

(iii) Power of Attorney of the Sellers appointing one or more representatives to act on behalf of the Sellers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate);

(iv) **Protocol of Delivery and Acceptance signed by the Builder and the Sellers, to be countersigned by the Buyers, and Builders' Certificate issued to the Sellers by the Builder, both duly notarially attested and legalized Certificate or Transcript of Registry issued by the competent authorities of the flag state on the date of delivery evidencing the Sellers' ownership of the Vessel and that the Vessel is free from registered encumbrances and mortgages, to be faxed or e-mailed by such authority to the closing meeting with the original to be sent to the Buyers as soon as possible after delivery of the Vessel;**

(v) **Class Certificates in form as required to be delivered by the Builder to the Sellers as per Attachment A Declaration of Class or (depending on the Classification Society) a Class Maintenance Certificate issued within three (3) Banking Days prior to delivery confirming that the Vessel is in Class free of condition/recommendation;**

(vi) **A statement from the Sellers in a form acceptable to the Buyers' nominated ship registry, stating that the Vessel has never been registered in any ship registry. Certificate of Deletion of the Vessel from the Vessel's registry or other official evidence of deletion appropriate to the Vessel's registry at the time of delivery, or, in the event that the registry does not as a matter of practice issue such documentation immediately, a written undertaking by the Sellers to effect deletion from the Vessel's registry forthwith and provide a certificate or other official evidence of deletion to the Buyers promptly and latest within four (4) weeks after the Purchase Price has been paid and the Vessel has been delivered;**

(vii) ~~A copy of the Vessel's Continuous Synopsis Record certifying the date on which the Vessel ceased to be registered with the Vessel's registry, or, in the event that the registry~~

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does not as a matter of practice issue such certificate immediately, a written undertaking from the Sellers to provide the copy of this certificate promptly upon it being issued together with evidence of submission by the Sellers of a duly executed Form 2 stating the date on which the Vessel shall cease to be registered with the Vessel's registry;

(viii) Commercial Invoice for the Vessel;

(ix) Commercial Invoice(s) for bunkers, lubricating and hydraulic oils and greases;

(x) ~~A copy of the Sellers' letter to their satellite communication provider cancelling the Vessel's communications contract which is to be sent immediately after delivery of the Vessel;~~

(xi) Any additional documents **as listed in Attachment A and/or** as may reasonably be required by the competent authorities of the Buyers' Nominated Flag State for the purpose of registering the Vessel, provided the Buyers notify the Sellers of any such documents as soon as possible after the date of this Agreement; and

(xii) ~~The Sellers' letter of confirmation that to the best of their knowledge, the Vessel is not black listed by any nation or international organisation.~~ **copy of the sea trial results duly approved by the Classification Society as per Attachment A; and**

(xiii) **An assignment in favour of the Buyers whereby the Sellers assign all warranties of the Builder towards the Sellers (including as provided in Attachment A) and also any warranty or service or spare part arrangement that a maker or subcontractor has provided to the Sellers in respect of the Vessel.**

(b) At the time of delivery the Buyers shall provide the Sellers with:

(i) Evidence that all necessary corporate, shareholder and other action has been taken by the Buyers to authorise the execution, delivery and performance of this Agreement; and

(ii) Power of Attorney of the Buyers appointing one or more representatives to act on behalf of the Buyers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate).

(c) If any of the documents listed in Sub-clauses (a) and (b) above are not in the English language they shall be accompanied by an English translation by an authorised translator or certified by a lawyer qualified to practice in the country of the translated language.

(d) The Parties shall to the extent possible exchange copies, drafts or samples of the documents listed in Sub-clause (a) and Sub-clause (b) above for review and comment by the other party not later than **3 days** (*state number of days*), or if left blank, **nine (9) days** prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement.

(e) Concurrent with the exchange of documents in Sub-clause (a) and Sub-clause (b) above, the Sellers shall also hand to the Buyers the classification certificate(s) as well as all plans, drawings and manuals, (excluding ISM/ISPS manuals), which are on board the Vessel. Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers have the right to take copies.

(f) Other technical documentation which may be in the Sellers' possession shall promptly after delivery be forwarded to the Buyers at their expense, if they so request. ~~The Sellers may keep the Vessel's log books but the Buyers have the right to take copies of same.~~

(g) The Parties shall sign and deliver to each other a Protocol of Delivery and Acceptance confirming the date and time of delivery of the Vessel from the Sellers to the Buyers.

## 9. Encumbrances

The Sellers warrant that the Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts whatsoever, and is not subject to Port State or other administrative detentions. The Sellers hereby undertake to indemnify the Buyers against all consequences of claims made against the Vessel which have been incurred prior to the time of delivery.

## 10. Taxes, fees and expenses

Any taxes, fees and expenses in connection with the purchase and registration in the Buyers'



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Nominated Flag State shall be for the Buyers' account, whereas similar charges in connection with the closing of the Sellers' register shall be for the Sellers' account.

#### 11. Condition on delivery

The Vessel with everything belonging to her shall be at the Sellers' risk and expense until she is delivered to the Buyers, but subject to the terms and conditions of this Agreement she shall be delivered and taken over as **per Attachment A with new Class certificates, free of damage affecting the Vessel's Class and with her Class and national certificates valid and duly executed without condition/recommendation by the relevant authorities at the time of delivery.**

**Notwithstanding the above, the Buyers shall be required to accept the Vessel if the Sellers are required to accept the Vessel and take delivery of the Vessel from the Builder pursuant to the Shipbuilding Contract. As such;**

**The Buyers shall not unreasonably reject the Vessel because of minor or insubstantial defect or non-conformity judged from the viewpoint of generally accepted good shipbuilding practice, and the Buyers shall not be entitled to refuse delivery by reason only of a deficiency in the Vessel's guaranteed speed and/or fuel consumption and/or the guaranteed cargo capacity and/or the guaranteed boil-off rate, unless the Sellers in its capacity as buyers under the Shipbuilding Contract is entitled to reject delivery vis-a-vis the Builder. If any such deficiencies exceed limits, the Buyers shall be entitled to deduct from the Purchase Price such amounts as the Sellers is entitled to deduct from the contract price under the Shipbuilding Contract vis-a-vis the Builder.**

**After completion of sea trials and the gas trials (as per Attachment A) and receipt by the Buyers of a copy of the Builders notice for delivery, the Buyers shall, within 1 day after receipt of such notice, notify the Sellers of its intended acceptance or rejection of the Vessel on the basis of its conformity with the requirements of Attachment A.**

she was at the time of inspection, fair wear and tear excepted.

However, the Vessel shall be delivered free of cargo and free of stowaways with her Class maintained without condition/recommendation\*, free of average damage affecting the Vessel's class, and with her classification certificates and national certificates, as well as all other certificates the Vessel had at the time of inspection, valid and unextended without condition/recommendation\* by the Classification Society or the relevant authorities at the time of delivery.

"inspection" in this Clause 11, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspections), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*Notes and memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/recommendation are not to be taken into account.*

#### 12. Name/markings

**The Vessel shall be delivered by the Sellers to the Buyers with the Buyers' name and funnel marking. ~~Upon delivery the Buyers undertake to change the name of the Vessel and alter funnel markings.~~**

#### 13. Buyers' default

Should the ~~Deposit~~ **Downpayment** not be ~~lodged~~ **paid** in accordance with Clause 2 (~~Deposit~~**Downpayment**), the Sellers have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest.

Should the Purchase Price not be paid in accordance with Clause 3 (Payment), the Sellers have the right to cancel this Agreement, in which case the ~~Deposit together with interest~~ earned, if any, shall be released to the Sellers. If the ~~Deposit~~ does not cover their loss, the Sellers shall be entitled to claim ~~further~~ compensation for their losses and for all expenses incurred together with interest **due to Buyers' proven breach. The Sellers shall have a right to deduct from the Downpayment all such claims for compensation as they are entitled to pursuant to this Clause 13. After the Sellers have made such deductions, the Sellers shall return the balance of the Downpayment to the Buyers.**

#### 14. Sellers' default

Should the Sellers fail to give Notice of Readiness in accordance with Clause 5(b) or fail to be

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ready to validly complete a legal transfer by the Cancelling Date the Buyers shall have the option of cancelling this Agreement. If after Notice of Readiness has been given but before the Buyers have taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and new Notice of Readiness given, the Buyers shall retain their option to cancel **subject to Clause 5c above**. In the event that the Buyers elect to cancel this Agreement, the ~~Deposit-Downpayment~~ together with interest ~~earned, if any as set out in line 33~~, shall be ~~refunded~~released to them immediately.

## 15. Buyers' representatives

After this Agreement has been signed by the Parties and the ~~Deposit-Downpayment~~ has been ~~ledged~~paid, the Buyers shall at any time thereafter have the right to visit the Yard and inspect the work in progress and have the right to place ~~two (2)~~ representatives on ~~site~~board the Vessel at their sole risk and expense to work with and cooperate with the existing site management team. The Buyers' representatives shall have customary access to the Vessel, the Yard facilities and relevant shipbuilding documents and drawings as per customary practice and have the right to be present at all inspections, tests and sea trials and sea trial results.

The Sellers shall keep the Buyers well informed of any upcoming milestones and of any inspections and tests both at the Yard and with respect to subcontractors work, to ensure that the Buyers is able to attend the same. The Buyers shall attend as observers only, shall not interfere or obstruct the construction process and shall comply with the Sellers site managers instruction.

The Sellers shall make available customary office space at the Yard for the Buyers representatives if the Buyers so request. The Sellers shall make available for Buyers review all correspondence, notices and other documents related to technical (as opposed to commercial) matters under construction process and shall provide copies of the same upon the Buyers request.

~~These representatives are on board for the purpose of familiarisation and in the capacity of observers only, and they shall not interfere in any respect with the operation of the Vessel. The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation.~~

## 16. Law and Arbitration

(a) \*This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.

The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both Parties as if the sole arbitrator had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$100,000 the arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

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(b) \*This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the substantive law (not including the choice of law rules) of the State of New York and any dispute arising out of or in connection with this Agreement shall be referred to three (3) persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$ 100,000 the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc.

(c) This Agreement shall be governed by and construed in accordance with the laws of *(state place)* and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at \_\_\_\_\_ *(state place)*, subject to the procedures applicable there.

*\*16(a), 16(b) and 16(c) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 16(a) shall apply.*

## 17. Notices

All notices to be provided under this Agreement shall be in writing.

Contact details for recipients of notices are as follows:

For the Buyers: **Flex Vigilant Limited**

**c/o FLEX LNG Management Ltd.  
Bryggegata 3  
0250 Oslo  
Norway**

**Attention: Øystein M. Kalleklev  
Email: Oystein.Kalleklev@flexlng.com**

**With copy to: Marius Hermansen  
Email: Marius.Hermansen@seatankersmgt.com**

For the Sellers: **Vigilant Shipowning Inc.,**

**c/o Seatankers Management Company Ltd.  
P.O. Box 53562,  
CY-3399 Limassol,  
Cyprus**

**(Deanna Beach Apartments, Block 1, 4th Floor,  
Promachon Eleftherias Street, Ayios Athanasios,  
CY-4013 Limassol,  
Cyprus)**

**Attention: Spyros Episkopou  
Telephone: +357 25 858 300  
Email: spyros.episkopou@seatankers.com.cy**

**With copy to: Marius Hermansen  
Email: Marius.Hermansen@seatankersmgt.com**

## 18. Entire Agreement

The written terms of this Agreement comprise the entire agreement between the Buyers and the Sellers in relation to the sale and purchase of the Vessel and supersede all previous agreements whether oral or written between the Parties in relation thereto.

Each of the Parties acknowledges that in entering into this Agreement it has not relied on and shall have no right or remedy in respect of any statement, representation, assurance or warranty (whether or not made negligently) other than as is expressly set out in this Agreement.

Any terms implied into this Agreement by any applicable statute or law are hereby excluded to the extent that such exclusion can legally be made. Nothing in this Clause shall limit or exclude

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any liability for fraud.

#### 19. Modifications, changes and extras

The Sellers shall not agree to any major amendments, modifications or changes to the Specifications, the General Arrangement Plan or the Supplier List without the Buyers' prior written consent.

Modifications or changes to the Specifications and the General Arrangement Plan may be requested by the Buyers substantially on the terms set out in the Shipbuilding Contract and the Sellers shall take the necessary action to request such changes from the Builder. The Sellers agreement with the Builder in respect of any such changes or modifications in respect of which the Builder requires a change in the contract price, delivery date, Specifications or other terms of the Shipbuilding Contract within normal practice for such changes or modifications shall be at Buyers cost and the delivery date under this Agreement shall be updated accordingly.

#### 20. Termination of the Shipbuilding Contract

Should the Sellers be entitled to cancel the Shipbuilding Contract before delivery then they will inform the Buyers without delay and both Parties will then jointly decide how to progress with the situation at hand. The Sellers will not cancel the Shipbuilding Contract without prior consent of Buyers, such consent not to be unreasonably withheld.

#### 21. Parent Company Guarantee

At the time of signing of this Agreement, the Buyers shall provide the Sellers with a performance guarantee in such form and substance as attached hereto in Attachment C, duly executed by the Buyers' ultimate parent company, Flex LNG Ltd. (the "Guarantee").

The Guarantee shall apply in respect of all obligations assumed by the Buyers under this Agreement, but shall in all circumstances be limited to the Purchase Price plus accrued interest as applicable.

#### 22. Building Supervision

The Purchase Price is inclusive of the Sellers building supervision of the Vessel during the construction period.

#### 23. Condition Precedent

It is a condition precedent for the effectiveness of this MOA that the USD 300 million private placement in Flex LNG Ltd. is successfully carried out including that Flex LNG Ltd. has received the proceeds from the private placement.

For and on behalf of the Sellers

/s/ Spyros Episkopou  
Name: Spyros Episkopou  
Title: Director

/s/ Eirini Santhi Theocharous  
Name: Eirini Santhi Theocharous  
Title: Director

For and on behalf of the Buyers

/s/ Marius Hermansen  
Name: Marius Hermansen  
Title: Attorney-in-Fact

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## MEMORANDUM OF AGREEMENT

Norwegian Shipbrokers' Association's  
 Memorandum of Agreement for sale and  
 purchase of ships. Adopted by BIMCO in 1956.  
 Code-name  
**SALEFORM 2012**  
 Revised 1966, 1983 and 1986/87, 1993 and 2012

Dated: **15 October 2018**

**Volunteer Shipowning Inc., a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands**

*(Name of sellers)*, hereinafter called the “Sellers”, have agreed to sell, and

**Flex Volunteer Limited, a corporation organized and existing under the laws of Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro MH 96960, Marshall Islands** *(Name of buyers)*, hereinafter called the “Buyers”,

have agreed to buy: **The Vessel with hull no. 8012 currently under construction at the premises of Hyundai Samho Heavy Industries Co. Ltd. (the “Builder”) in South Korea**

Name of vessel: **To be named “FLEX Volunteer”**

IMO Number: **TBA**

Classification Society: **DNV GL**

Class Notation: **As per Attachment A**

Year of Build: **As per Attachment A** Builder/Yard: **Hyundai Samho Heavy Industries Co. Ltd.**

Flag: **Marshall Islands** Place of Registration: **N/A** GT/NT: **As per Attachment A/\_\_\_\_\_**

hereinafter called the “Vessel”, on the following terms and conditions:

### Definitions

**“Attachment A” is the Shipbuilding Contract (as defined below). The Specification, the General Arrangement Plan and the Supplier List for the Vessel are an integral part of the Shipbuilding Contract.**

**“Attachment B” is the form of an irrevocable letter of guarantee to be issued by the Blue Sea Navigation Holding Inc. pursuant to Clause 2.**

**“Attachment C” is the form of a performance guarantee to be issued by the Buyers’ ultimate parent company, Flex LNG Ltd. pursuant to Clause 21.**

“Banking Days” are days on which banks are open both in the country of the currency stipulated for the Purchase Price in Clause 1 (Purchase Price) and in the place of closing stipulated in Clause 8 (Documentation), ~~and Norway and South Korea~~ *(add additional jurisdictions as appropriate)*.

“Buyers’ Nominated Flag State” means **Marshall Islands** *(state flag state)*.

“Class” means the class notation referred to above. “Classification Society” means the Society referred to above.



"~~Deposit~~**Downpayment**" shall have the meaning given in Clause 2 (~~Deposit~~**Downpayment**)

"~~Deposit Holder~~" means \_\_\_\_\_ *(state name and location of Deposit Holder)* or, if left blank, the Sellers' Bank, which shall hold and release the ~~Deposit~~ in accordance with this Agreement.

"In writing" or "written" means a letter handed over from the Sellers to the Buyers or vice versa, a registered letter, e-mail or telefax.

"Parties" means the Sellers and the Buyers.

"Purchase Price" means the price for the Vessel as stated in Clause 1 (Purchase Price).

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“Sellers’ Account” means **the bank account notified by the Sellers to the Buyers for the receipt of the Downpayment and the balance of the Purchase Price** (~~state details of bank account~~) at the Sellers’ ~~b~~Bank.

“Shipbuilding Contract” means the shipbuilding contract for the construction of the Vessel entered into between the Builder and the Sellers on 30 June 2018. The Sellers shall not make any major amendments to the Shipbuilding Contract without the prior consent from the Buyers ref. Clause 19.

“Sellers’ Bank” means \_\_\_\_\_ (*state name of bank, branch and details*) or, if left blank, the bank notified by the Sellers to the Buyers for receipt of the balance of the Purchase Price.

## 1. Purchase Price

The Purchase Price is **USD 180,000,000 (United States Dollars One Hundred Eighty Million)** (~~state currency and amount both in words and figures~~).

## 2. ~~Deposit~~Downpayment

As security for the correct fulfilment of this Agreement the Buyers shall ~~ledge a deposit~~**make a downpayment of 30% (thirty per cent) i.e. USD 54,000,000 (United States Dollars Fifty Four Million)** or, if left blank, 10% (ten per cent), of the Purchase Price (the “~~Deposit~~Downpayment”) to the Sellers’ Account in an interest bearing account for the Parties with the Deposit Holder within three (3) Banking Days after the ~~date that~~later of:

- (i) this Agreement has been signed by the Parties and exchanged in original or by e-mail or telefax; **and**
- (ii) **FLEX LNG Ltd. having received the proceeds from its contemplated private placement (or such other date as the Parties may agree).**

**As security for the Sellers’ obligation to repay the Downpayment in the event that this Agreement is cancelled by the Buyers in accordance with the terms of this Agreement, the Sellers shall provide Buyers with an irrevocable letter of guarantee issued by Blue Sea Navigation Holding Inc., in form and substance as annexed hereto as Attachment B at the time of signing of this Agreement.**

~~;~~ and

- (ii) ~~the Deposit Holder has confirmed in writing to the Parties that the account has been opened. The Deposit shall be released in accordance with joint written instructions of the Parties. Interest, if any, shall be credited to the Buyers. Any fee charged for holding and releasing the Deposit shall be borne equally by the Parties. The Parties shall provide to the Deposit Holder all necessary documentation to open and maintain the account without delay.~~

## 3. Payment

On delivery of the Vessel, but not later than three (3) Banking Days after the date that Notice of Readiness has been given in accordance with Clause 5 (Time and place of delivery and notices):

- (i) ~~the Deposit shall be released to the Sellers;~~ and
- (ii) the balance of the Purchase Price and all other sums payable on delivery by the Buyers to the Sellers under this Agreement shall be paid in full free of bank charges to the Sellers’ Account.

**Notwithstanding the above, the Buyers and the Sellers will work together to effect a simultaneous payment under this Agreement and the balance payment of the installment payable on delivery of the Vessel from the Builder to the Sellers, by use of the same funds if deemed practical by the Parties.**

## 4. Inspection

**(a)\*** The Buyers have inspected and accepted **Attachment A and the Buyers shall accept the Vessel upon the Vessels completion according to Attachment A.**~~the Vessel's classification records. The Buyers have also inspected the Vessel at/in \_\_\_\_\_ (state place) on \_\_\_\_\_ (state date) and have accepted the Vessel following this inspection and the sale is outright and definite, subject only~~

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to the terms and conditions of this Agreement.

**(b)\*** The Buyers shall have the right to inspect the Vessel's classification records and declare whether same are accepted or not within \_\_\_\_\_ (state date/period).

The Sellers shall make the Vessel available for inspection at/in \_\_\_\_\_ (state place/range) within \_\_\_\_\_ (state date/period).

The Buyers shall undertake the inspection without undue delay to the Vessel. Should the Buyers cause undue delay they shall compensate the Sellers for the losses thereby incurred.

The Buyers shall inspect the Vessel without opening up and without cost to the Sellers.

During the inspection, the Vessel's deck and engine log books shall be made available for examination by the Buyers.

The sale shall become outright and definite, subject only to the terms and conditions of this Agreement, provided that the Sellers receive written notice of acceptance of the Vessel from the Buyers within seventy-two (72) hours after completion of such inspection or after the date/last day of the period stated in Line 59, whichever is earlier.

Should the Buyers fail to undertake the inspection as scheduled and/or notice of acceptance of the Vessel's classification records and/or of the Vessel not be received by the Sellers as aforesaid, the Deposit together with interest earned, if any, shall be released immediately to the Buyers, whereafter this Agreement shall be null and void.

*\*4(a) and 4(b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 4(a) shall apply.*

## 5. Time and place of delivery and notices

**(a)** The Vessel shall be delivered and taken over safely afloat at a safe and accessible berth or anchorage at/in **Daebul-ro, Samho-eup, Yeongam-gun, Jeollanamdo-Do, South Korea as per Attachment A** (state place/range) in the Sellers' option simultaneously with delivery from Builder to the Sellers. The agreed Notice of Readiness shall not be tendered before: \_\_\_\_\_ (date) Delivery Date as per the Shipbuilding Contract is 28 February 2021 ("Agreed Delivery Date"). The Builder may deliver the Vessel earlier than the Agreed Delivery Date pursuant to the terms of the Shipbuilding Contract.

Cancelling Date (see Clauses 5(c), 6 (a)(i), 6 (a) (iii) and 14): \_\_\_\_\_

**(b)** The Sellers shall keep the Buyers well informed of the Vessel's construction progress and shall provide the Buyers with approximate notices of the date the Sellers intend to tender Notice of Readiness itinerary and shall provide the Buyers with twenty (20), ten (10), five (5) and three (3) days' notice of the date the Sellers intend to tender Notice of Readiness and of the intended place of delivery.

When the Vessel is completed in accordance with Attachment A at the place of delivery and physically ready for delivery in accordance with this Agreement, the Sellers shall give the Buyers a written Notice of Readiness for delivery.

**If the Vessel is delayed and the Sellers receive liquidated damages due to delay under the Shipbuilding Contract, the Purchase Price shall be reduced accordingly with a corresponding amount (see Attachment A).**

**Cancelling Date (see Clauses 5(c) and 14): The Cancelling Date under this Agreement shall correspond with the cancelling date under the Shipbuilding Contract.**

**(c)** If the Sellers anticipate that, notwithstanding the exercise of due diligence by them, the Vessel will not be ready for delivery by the Cancelling Date they may notify the Buyers in writing stating the date when they anticipate that the Vessel will be ready for delivery and proposing a new Cancelling Date. Upon receipt of such notification the Buyers shall have the option of either cancelling this Agreement in accordance with Clause 14 (Sellers' Default) within three (3) Banking Days of receipt of the notice or of accepting the new date as the new Cancelling Date. If the Buyers have not declared their option within three (3) Banking Days of receipt of the Sellers' notification or if the Buyers accept the new date, the date proposed in the Sellers' notification shall be deemed to be the new Cancelling Date and shall be substituted for the Cancelling Date stipulated in line 79. If this Agreement is maintained with the new

Cancelling Date all other terms and conditions hereof including those contained in Clauses 5(b) and 5(d) shall remain unaltered and in full

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force and effect.

~~(d)~~ Cancellation, failure to cancel or acceptance of the new Cancelling Date shall be entirely without prejudice to any claim for damages the Buyers may have under Clause 14 (Sellers' Default) for the Vessel not being ready by the original Cancelling Date.

(e) Should the Vessel become an actual, constructive or compromised total loss before delivery the **Deposit-Downpayment** together with interest **as set out in line 33** earned, if any, shall be released immediately to the Buyers whereafter this Agreement shall be null and void.

## 6. Divers Inspection / Drydocking – N/A

~~(a)\*~~

~~(i)~~ The Buyers shall have the option at their cost and expense to arrange for an underwater inspection by a diver approved by the Classification Society prior to the delivery of the Vessel. Such option shall be declared latest nine (9) days prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement. The Sellers shall at their cost and expense make the Vessel available for such inspection. This inspection shall be carried out without undue delay and in the presence of a Classification Society surveyor arranged for by the Sellers and paid for by the Buyers. The Buyers' representative(s) shall have the right to be present at the diver's inspection as observer(s) only without interfering with the work or decisions of the Classification Society surveyor. The extent of the inspection and the conditions under which it is performed shall be to the satisfaction of the Classification Society. If the conditions at the place of delivery are unsuitable for such inspection, the Sellers shall at their cost and expense make the Vessel available at a suitable alternative place near to the delivery port, in which event the Cancelling Date shall be extended by the additional time required for such positioning and the subsequent re-positioning. The Sellers may not tender Notice of Readiness prior to completion of the underwater inspection.

~~(ii)~~ If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken, damaged or defective so as to affect the Vessel's class, then (1) unless repairs can be carried out afloat to the satisfaction of the Classification Society, the Sellers shall arrange for the Vessel to be drydocked at their expense for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules (2) such defects shall be made good by the Sellers at their cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\* and (3) the Sellers shall pay for the underwater inspection and the Classification Society's attendance.

Notwithstanding anything to the contrary in this Agreement, if the Classification Society do not require the aforementioned defects to be rectified before the next class drydocking survey, the Sellers shall be entitled to deliver the Vessel with these defects against a deduction from the Purchase Price of the estimated direct cost (of labour and materials) of carrying out the repairs to the satisfaction of the Classification Society, whereafter the Buyers shall have no further rights whatsoever in respect of the defects and/or repairs. The estimated direct cost of the repairs shall be the average of quotes for the repair work obtained from two reputable independent shipyards at or in the vicinity of the port of delivery, one to be obtained by each of the Parties within two (2) Banking Days from the date of the imposition of the condition/recommendation, unless the Parties agree otherwise. Should either of the Parties fail to obtain such a quote within the stipulated time then the quote duly obtained by the other Party shall be the sole basis for the estimate of the direct repair costs. The Sellers may not tender Notice of Readiness prior to such estimate having been established.

~~(iii)~~ – If the Vessel is to be drydocked pursuant to Clause 6(a)(ii) and no suitable dry-docking facilities are available at the port of delivery, the Sellers shall take the Vessel to a port where suitable drydocking facilities are available, whether within or outside the delivery range as per Clause 5(a). Once drydocking has taken place the Sellers shall deliver the Vessel at a port within the delivery range as per Clause 5(a) which shall, for the purpose of this Clause, become the new port of delivery. In such event the Cancelling Date shall be extended by the additional time required for the drydocking and extra steaming, but limited to a maximum of fourteen (14) days.

~~(b)\*~~ The Sellers shall place the Vessel in drydock at the port of delivery for inspection by the Classification Society of the Vessel's underwater parts below the deepest load line, the extent of the inspection being in accordance with the Classification Society's rules. If the rudder, propeller, bottom or other underwater parts below the deepest load line are found broken,

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damaged or defective so as to affect the Vessel's class, such defects shall be made good at the Sellers' cost and expense to the satisfaction of the Classification Society without condition/recommendation\*\*. In such event the Sellers are also to pay for the costs and expenses in connection with putting the Vessel in and taking her out of drydock, including the drydock dues and the Classification Society's fees. The Sellers shall also pay for these costs and expenses if parts of the tailshaft system are condemned or found defective or broken so as to affect the Vessel's class. In all other cases, the Buyers shall pay the aforesaid costs and expenses, dues and fees.

(e) If the Vessel is drydocked pursuant to Clause 6 (a)(ii) or 6 (b) above:

(i) The Classification Society may require survey of the tailshaft system, the extent of the survey being to the satisfaction of the Classification surveyor. If such survey is not required by the Classification Society, the Buyers shall have the option to require the tailshaft to be drawn and surveyed by the Classification Society, the extent of the survey being in accordance with the Classification Society's rules for tailshaft survey and consistent with the current stage of the Vessel's survey cycle. The Buyers shall declare whether they require the tailshaft to be drawn and surveyed not later than by the completion of the inspection by the Classification Society. The drawing and refitting of the tailshaft shall be arranged by the Sellers. Should any parts of the tailshaft system be condemned or found defective so as to affect the Vessel's class, those parts shall be renewed or made good at the Sellers' cost and expense to the satisfaction of Classification Society without condition/recommendation\*\*.

(ii) The costs and expenses relating to the survey of the tailshaft system shall be borne by the Buyers unless the Classification Society requires such survey to be carried out or if parts of the system are condemned or found defective or broken so as to affect the Vessel's class, in which case the Sellers shall pay these costs and expenses.

(iii) The Buyers' representative(s) shall have the right to be present in the drydock, as observer(s) only without interfering with the work or decisions of the Classification Society surveyor.

(iv) The Buyers shall have the right to have the underwater parts of the Vessel cleaned and painted at their risk, cost and expense without interfering with the Sellers' or the Classification Society surveyor's work, if any, and without affecting the Vessel's timely delivery. If, however, the Buyers' work in drydock is still in progress when the Sellers have completed the work which the Sellers are required to do, the additional docking time needed to complete the Buyers' work shall be for the Buyers' risk, cost and expense. In the event that the Buyers' work requires such additional time, the Sellers may upon completion of the Sellers' work tender Notice of Readiness for delivery whilst the Vessel is still in drydock and, notwithstanding Clause 5(a), the Buyers shall be obliged to take delivery in accordance with Clause 3 (Payment), whether the Vessel is in drydock or not.

*\*6 (a) and 6 (b) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 6 (a) shall apply.*

*\*\*Notes or memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/ recommendation are not to be taken into account.*

## 7. Spares, bunkers and other items

The Sellers shall deliver the Vessel to the Buyers with everything belonging to her on board and on shore **as per Attachment A**. All spare parts and spare equipment including spare tail-end shaft(s) and/or spare propeller(s)/propeller blade(s), if any, ~~belonging to the Vessel at the time of inspection~~ **ordered separately by the Buyers during construction (i.e. not being part of the Specification)** used or unused, whether on board or not shall become the Buyers' property, **but together with spares on order are excluded shall be included in the sale and the Buyers shall pay the actual net price to the Sellers**. Forwarding charges, if any, shall be for the Buyers' account. The Sellers are not required to replace spare parts including spare tail-end shaft(s) and spare propeller(s)/propeller blade(s) which are taken out of spare and used as replacement prior to delivery, but the replaced items shall be the property of the Buyers. Unused stores and provisions shall be included in the sale and be taken over by the Buyers without extra payment.

Library and forms exclusively for use in the Sellers' vessel(s) and captain's, officers' and crew's personal belongings including the slop chest are excluded from the sale without compensation, as well as the following additional items: \_\_\_\_\_ *(include list)*

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Items on board which are on hire or owned by third parties, listed as follows, are excluded from the sale without compensation:  
\_\_\_\_\_ (include list)

Items on board at the time of inspection which are on hire or owned by third parties, not listed above, shall be replaced or procured by the Sellers prior to delivery at their cost and expense.

The Buyers shall take over remaining bunkers and unused lubricating and hydraulic oils and greases in storage tanks and unopened drums **and fuel oil, LNG, other liquefied gases, fresh water or consumable stores which are on board the Vessel at the time of delivery** and pay either:

(a) \*the actual net price (excluding barging expenses) as evidenced by invoices or vouchers; or

(b) \*the current net market price (excluding barging expenses) at the port and date of delivery of the Vessel or, if unavailable, at the nearest bunkering port;

for the quantities taken over.

Payment under this Clause shall be made at the same time and place and in the same currency as the Purchase Price.

"inspection" in this Clause 7, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspection), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*(a) and (b) are alternatives, delete whichever is not applicable. In the absence of deletions alternative (a) shall apply.*

## 8. Documentation

The place of closing: **At the Builder's shipyard in South Korea or such other place as the Parties may agree**

(a) In exchange for payment of the Purchase Price the Sellers shall provide the Buyers with the following delivery documents:

(i) Legal Bill(s) of Sale in a form recordable in the Buyers' Nominated Flag State, transferring title of the Vessel and stating that the Vessel is free from all mortgages, encumbrances and maritime liens or any other debts whatsoever, duly notarially attested and legalised or apostilled, as required by the Buyers' Nominated Flag State;

(ii) Evidence that all necessary corporate, shareholder and other action has been taken by the Sellers to authorise the execution, delivery and performance of this Agreement;

(iii) Power of Attorney of the Sellers appointing one or more representatives to act on behalf of the Sellers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate);

(iv) **Protocol of Delivery and Acceptance signed by the Builder and the Sellers, to be countersigned by the Buyers, and Builders' Certificate issued to the Sellers by the Builder, both duly notarially attested and legalized Certificate or Transcript of Registry issued by the competent authorities of the flag state on the date of delivery evidencing the Sellers' ownership of the Vessel and that the Vessel is free from registered encumbrances and mortgages, to be faxed or e-mailed by such authority to the closing meeting with the original to be sent to the Buyers as soon as possible after delivery of the Vessel;**

(v) **Class Certificates in form as required to be delivered by the Builder to the Sellers as per Attachment A Declaration of Class or (depending on the Classification Society) a Class Maintenance Certificate issued within three (3) Banking Days prior to delivery confirming that the Vessel is in Class free of condition/recommendation;**

(vi) **A statement from the Sellers in a form acceptable to the Buyers' nominated ship registry, stating that the Vessel has never been registered in any ship registry. Certificate of Deletion of the Vessel from the Vessel's registry or other official evidence of deletion appropriate to the Vessel's registry at the time of delivery, or, in the event that the registry does not as a matter of practice issue such documentation immediately, a written undertaking by the Sellers to effect deletion from the Vessel's registry forthwith and provide a certificate or other official evidence of deletion to the Buyers promptly and latest within four (4) weeks after the Purchase Price has been paid and the Vessel has been delivered;**

(vii) ~~A copy of the Vessel's Continuous Synopsis Record certifying the date on which the Vessel ceased to be registered with the Vessel's registry, or, in the event that the registry~~

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does not as a matter of practice issue such certificate immediately, a written undertaking from the Sellers to provide the copy of this certificate promptly upon it being issued together with evidence of submission by the Sellers of a duly executed Form 2 stating the date on which the Vessel shall cease to be registered with the Vessel's registry;

(viii) Commercial Invoice for the Vessel;

(ix) Commercial Invoice(s) for bunkers, lubricating and hydraulic oils and greases;

(x) ~~A copy of the Sellers' letter to their satellite communication provider cancelling the Vessel's communications contract which is to be sent immediately after delivery of the Vessel;~~

(xi) Any additional documents **as listed in Attachment A and/or** as may reasonably be required by the competent authorities of the Buyers' Nominated Flag State for the purpose of registering the Vessel, provided the Buyers notify the Sellers of any such documents as soon as possible after the date of this Agreement; ~~and~~

(xii) ~~The Sellers' letter of confirmation that to the best of their knowledge, the Vessel is not black listed by any nation or international organisation.~~ **copy of the sea trial results duly approved by the Classification Society as per Attachment A; and**

(xiii) **An assignment in favour of the Buyers whereby the Sellers assign all warranties of the Builder towards the Sellers (including as provided in Attachment A) and also an assignment of any warranty or service or spare part arrangement that a maker or subcontractor has provided to the Sellers in respect of the Vessel.**

(b) At the time of delivery the Buyers shall provide the Sellers with:

(i) Evidence that all necessary corporate, shareholder and other action has been taken by the Buyers to authorise the execution, delivery and performance of this Agreement; and

(ii) Power of Attorney of the Buyers appointing one or more representatives to act on behalf of the Buyers in the performance of this Agreement, duly notarially attested and legalised or apostilled (as appropriate).

(c) If any of the documents listed in Sub-clauses (a) and (b) above are not in the English language they shall be accompanied by an English translation by an authorised translator or certified by a lawyer qualified to practice in the country of the translated language.

(d) The Parties shall to the extent possible exchange copies, drafts or samples of the documents listed in Sub-clause (a) and Sub-clause (b) above for review and comment by the other party not later than **3 days** (*state number of days*), or if left blank, **nine (9) days** prior to the Vessel's intended date of readiness for delivery as notified by the Sellers pursuant to Clause 5(b) of this Agreement.

(e) Concurrent with the exchange of documents in Sub-clause (a) and Sub-clause (b) above, the Sellers shall also hand to the Buyers the classification certificate(s) as well as all plans, drawings and manuals, (excluding ISM/ISPS manuals), which are on board the Vessel. Other certificates which are on board the Vessel shall also be handed over to the Buyers unless the Sellers are required to retain same, in which case the Buyers have the right to take copies.

(f) Other technical documentation which may be in the Sellers' possession shall promptly after delivery be forwarded to the Buyers at their expense, if they so request. ~~The Sellers may keep the Vessel's log books but the Buyers have the right to take copies of same.~~

(g) The Parties shall sign and deliver to each other a Protocol of Delivery and Acceptance confirming the date and time of delivery of the Vessel from the Sellers to the Buyers.

## 9. Encumbrances

The Sellers warrant that the Vessel, at the time of delivery, is free from all charters, encumbrances, mortgages and maritime liens or any other debts whatsoever, and is not subject to Port State or other administrative detentions. The Sellers hereby undertake to indemnify the Buyers against all consequences of claims made against the Vessel which have been incurred prior to the time of delivery.

## 10. Taxes, fees and expenses

Any taxes, fees and expenses in connection with the purchase and registration in the Buyers'

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Nominated Flag State shall be for the Buyers' account, whereas similar charges in connection with the closing of the Sellers' register shall be for the Sellers' account.

## 11. Condition on delivery

The Vessel with everything belonging to her shall be at the Sellers' risk and expense until she is delivered to the Buyers, but subject to the terms and conditions of this Agreement she shall be delivered and taken over as **per Attachment A with new Class certificates, free of damage affecting the Vessel's Class and with her Class and national certificates valid and duly executed without condition/recommendation by the relevant authorities at the time of delivery.**

**Notwithstanding the above, the Buyers shall be required to accept the Vessel if the Sellers is required to accept the Vessel and take delivery of the Vessel from the Builder pursuant to the Shipbuilding Contract. As such;**

**The Buyers shall not unreasonably reject the Vessel because of minor or insubstantial defect or non-conformity judged from the viewpoint of generally accepted good shipbuilding practice, and the Buyers shall not be entitled to refuse delivery by reason only of a deficiency in the Vessel's guaranteed speed and/or fuel consumption and/or the guaranteed cargo capacity and/or the guaranteed boil-off rate, unless the Sellers in its capacity as buyers under the Shipbuilding Contract is entitled to reject delivery vis-a-vis the Builder. If any such deficiencies exceed limits, the Buyers shall be entitled to deduct from the Purchase Price such amounts as the Sellers is entitled to deduct from the contract price under the Shipbuilding Contract vis-a-vis the Builder.**

**After completion of sea trials and the gas trials (as per Attachment A) and receipt by the Buyers of a copy of the Builders notice for delivery, the Buyers shall, within 1 day after receipt of such notice, notify the Sellers of its intended acceptance or rejection of the Vessel on the basis of its conformity with the requirements of Attachment A.**

she was at the time of inspection, fair wear and tear excepted.

However, the Vessel shall be delivered free of cargo and free of stowaways with her Class maintained without condition/recommendation\*, free of average damage affecting the Vessel's class, and with her classification certificates and national certificates, as well as all other certificates the Vessel had at the time of inspection, valid and unextended without condition/recommendation\* by the Classification Society or the relevant authorities at the time of delivery.

"inspection" in this Clause 11, shall mean the Buyers' inspection according to Clause 4(a) or 4(b) (Inspections), if applicable. If the Vessel is taken over without inspection, the date of this Agreement shall be the relevant date.

*\*Notes and memoranda, if any, in the surveyor's report which are accepted by the Classification Society without condition/recommendation are not to be taken into account.*

## 12. Name/markings

**The Vessel shall be delivered by the Sellers to the Buyers with the Buyers' name and funnel marking. Upon delivery the Buyers undertake to change the name of the Vessel and alter funnel markings.**

## 13. Buyers' default

Should the ~~Deposit~~ **Downpayment** not be lodged ~~paid~~ in accordance with Clause 2 (~~Deposit~~ **Downpayment**), the Sellers have the right to cancel this Agreement, and they shall be entitled to claim compensation for their losses and for all expenses incurred together with interest. Should the Purchase Price not be paid in accordance with Clause 3 (Payment), the Sellers have the right to cancel this Agreement, in which case ~~the Deposit together with interest earned, if any, shall be released to the Sellers. If the Deposit does not cover their loss,~~ the Sellers shall be entitled to claim ~~further~~ compensation for their losses and for all expenses incurred together with interest **due to Buyers' proven breach. The Sellers shall have a right to deduct from the Downpayment all such claims for compensation as they are entitled to pursuant to this Clause 13. After the Sellers have made such deductions, the Sellers shall return the balance of the Downpayment to the Buyers.**

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#### 14. Sellers' default

Should the Sellers fail to give Notice of Readiness in accordance with Clause 5(b) or fail to be ready to validly complete a legal transfer by the Cancelling Date the Buyers shall have the option of cancelling this Agreement. If after Notice of Readiness has been given but before the Buyers have taken delivery, the Vessel ceases to be physically ready for delivery and is not made physically ready again by the Cancelling Date and new Notice of Readiness given, the Buyers shall retain their option to cancel **subject to Clause 5c above**. In the event that the Buyers elect to cancel this Agreement, the ~~Deposit-Downpayment~~ together with interest ~~earned, if any~~ **as set out in line 33**, shall be ~~refunded~~ released to them immediately.

Should the Sellers fail to give Notice of Readiness by the Cancelling Date or fail to be ready to validly complete a legal transfer as aforesaid they shall **be obliged to release the Downpayment including interest thereon to the Buyers, but otherwise not have any obligations towards the Buyers** ~~make due compensation to the Buyers for their loss and for all expenses together with interest if their failure is due to proven negligence and whether or not the Buyers cancel this Agreement.~~

#### 15. Buyers' representatives

After this Agreement has been signed by the Parties and the ~~Deposit-Downpayment~~ has been ~~ledged~~ paid, the Buyers shall at any time thereafter have the right to visit the Yard and inspect the work in progress and have the right to place ~~two (2)~~ representatives on ~~site~~ board the Vessel at their sole risk and expense to work with and cooperate with the existing site management team. The Buyers' representatives shall have customary access to the Vessel, the Yard facilities and relevant shipbuilding documents and drawings as per customary practice and have the right to be present at all inspections, tests and sea trials and sea trial results.

The Sellers shall keep the Buyers well informed of any upcoming milestones and of any inspections and tests both at the Yard and with respect to subcontractors work, to ensure that the Buyers is able to attend the same. The Buyers shall attend as observers only, shall not interfere or obstruct the construction process and shall comply with the Sellers site managers instruction.

The Sellers shall make available customary office space at the Yard for the Buyers representatives if the Buyers so request. The Sellers shall make available for Buyers review all correspondence, notices and other documents related to technical (as opposed to commercial) matters under construction process and shall provide copies of the same upon the Buyers request.

~~These representatives are on board for the purpose of familiarisation and in the capacity of observers only, and they shall not interfere in any respect with the operation of the Vessel. The Buyers and the Buyers' representatives shall sign the Sellers' P&I Club's standard letter of indemnity prior to their embarkation.~~

#### 16. Law and Arbitration

(a) \*This Agreement shall be governed by and construed in accordance with English law and any dispute arising out of or in connection with this Agreement shall be referred to arbitration in London in accordance with the Arbitration Act 1996 or any statutory modification or re-enactment thereof save to the extent necessary to give effect to the provisions of this Clause.

The arbitration shall be conducted in accordance with the London Maritime Arbitrators Association (LMAA) Terms current at the time when the arbitration proceedings are commenced.

The reference shall be to three arbitrators. A party wishing to refer a dispute to arbitration shall appoint its arbitrator and send notice of such appointment in writing to the other party requiring the other party to appoint its own arbitrator within fourteen (14) calendar days of that notice and stating that it will appoint its arbitrator as sole arbitrator unless the other party appoints its own arbitrator and gives notice that it has done so within the fourteen (14) days specified. If the other party does not appoint its own arbitrator and give notice that it has done so within the fourteen (14) days specified, the party referring a dispute to arbitration may, without the requirement of any further prior notice to the other party, appoint its arbitrator as sole arbitrator and shall advise the other party accordingly. The award of a sole arbitrator shall be binding on both Parties as if the sole arbitrator had been appointed by agreement.

In cases where neither the claim nor any counterclaim exceeds the sum of US\$100,000 the

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arbitration shall be conducted in accordance with the LMAA Small Claims Procedure current at the time when the arbitration proceedings are commenced.

~~(b) \*This Agreement shall be governed by and construed in accordance with Title 9 of the United States Code and the substantive law (not including the choice of law rules) of the State of New York and any dispute arising out of or in connection with this Agreement shall be referred to three (3) persons at New York, one to be appointed by each of the parties hereto, and the third by the two so chosen; their decision or that of any two of them shall be final, and for the purposes of enforcing any award, judgment may be entered on an award by any court of competent jurisdiction. The proceedings shall be conducted in accordance with the rules of the Society of Maritime Arbitrators, Inc.~~

~~In cases where neither the claim nor any counterclaim exceeds the sum of US\$ 100,000 the arbitration shall be conducted in accordance with the Shortened Arbitration Procedure of the Society of Maritime Arbitrators, Inc.~~

~~(c) This Agreement shall be governed by and construed in accordance with the laws of (state place) and any dispute arising out of or in connection with this Agreement shall be referred to arbitration at \_\_\_\_\_ (state place), subject to the procedures applicable there.~~

~~\*16(a), 16(b) and 16(c) are alternatives; delete whichever is not applicable. In the absence of deletions, alternative 16(a) shall apply.~~

## 17. Notices

All notices to be provided under this Agreement shall be in writing.

Contact details for recipients of notices are as follows:

For the Buyers: **Flex Volunteer Limited**

**c/o FLEX LNG Management Ltd.  
Bryggegata 3  
0250 Oslo  
Norway**

**Attention: Øystein M. Kalleklev  
Email: Oystein.Kalleklev@flexlng.com**

**With copy to: Marius Hermansen  
Email: Marius.Hermansen@seatankersmgt.com**

For the Sellers: **Volunteer Shipowning Inc.,**

**c/o Seatankers Management Company Ltd.  
P.O. Box 53562,  
CY-3399 Limassol,  
Cyprus**

**(Deanna Beach Apartments, Block 1, 4th Floor,  
Promachon Eleftherias Street, Ayios Athanasios,  
CY-4013 Limassol,  
Cyprus)**

**Attention: Spyros Episkopou  
Telephone: +357 25 858 300  
Email: spyros.episkopou@seatankers.com.cy**

**With copy to: Marius Hermansen  
Email: Marius.Hermansen@seatankersmgt.com**

## 18. Entire Agreement

The written terms of this Agreement comprise the entire agreement between the Buyers and the Sellers in relation to the sale and purchase of the Vessel and supersede all previous agreements whether oral or written between the Parties in relation thereto.

Each of the Parties acknowledges that in entering into this Agreement it has not relied on and shall have no right or remedy in respect of any statement, representation, assurance or

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warranty (whether or not made negligently) other than as is expressly set out in this Agreement.

Any terms implied into this Agreement by any applicable statute or law are hereby excluded to the extent that such exclusion can legally be made. Nothing in this Clause shall limit or exclude any liability for fraud.

#### **19. Modifications, changes and extras**

**The Sellers shall not agree to any major amendments, modifications or changes to the Specifications, the General Arrangement Plan or the Supplier List without the Buyers' prior written consent.**

**Modifications or changes to the Specifications and the General Arrangement Plan may be requested by the Buyers substantially on the terms set out in the Shipbuilding Contract and the Sellers shall take the necessary action to request such changes from the Builder.**

**The Sellers agreement with the Builder in respect of any such changes or modifications in respect of which the Builder requires a change in the contract price, delivery date, Specifications or other terms of the Shipbuilding Contract within normal practice for such changes or modifications shall be at Buyers cost and the delivery date under this Agreement shall be updated accordingly.**

#### **20. Termination of the Shipbuilding Contract**

**Should the Sellers be entitled to cancel the Shipbuilding Contract before delivery then they will inform the Buyers without delay and both Parties will then jointly decide how to progress with the situation at hand. The Sellers will not cancel the Shipbuilding Contract without prior consent of Buyers, such consent not to be unreasonably withheld.**

#### **21. Parent Company Guarantee**

**At the time of signing of this Agreement, the Buyers shall provide the Sellers with a performance guarantee in such form and substance as attached hereto in Attachment C, duly executed by the Buyers' ultimate parent company, Flex LNG Ltd. (the "Guarantee").**

**The Guarantee shall apply in respect of all obligations assumed by the Buyers under this Agreement, but shall in all circumstances be limited to the Purchase Price plus accrued interest as applicable.**

#### **22. Building Supervision**

**The Purchase Price is inclusive of the Sellers building supervision of the Vessel during the construction period.**

#### **23. Condition Precedent**

**It is a condition precedent for the effectiveness of this MOA that the USD 300 million private placement in Flex LNG Ltd. is successfully carried out including that Flex LNG Ltd. has received the proceeds from the private placement.**

For and on behalf of the Sellers

By: /s/ Spyros Episkopou  
Name: Spyros Episkopou  
Title: Director

For and on behalf of the Buyers

By: /s/ Marius Hermansen  
Name: Marius Hermansen  
Title: Attorney-In-Fact

By: /s/ Eirini Santhi  
Theocharous  
Name: Eirini Santhi  
Theocharous  
Title: Director



**Exhibit 8.1**

<b>Company</b>	<b>Country of registration</b>	<b>Main operations</b>	<b>Ownership share</b>	<b>Voting share</b>
Flex LNGC 1 Limited	Isle of Man	Shipping	100%	100%
Flex LNGC 2 Limited	Isle of Man	Shipping	100%	100%
Flex LNG Shipping Limited	Isle of Man	Shipping	100%	100%
Flex LNG Chartering Limited	United Kingdom	Chartering services	100%	100%
Flex LNG Management AS	Norway	Management services	100%	100%
Flex LNG Fleet Limited	Bermuda	Holding company	100%	100%
Flex LNG Management Limited	Isle of Man	Management services	100%	100%
Flex LNG Bermuda Limited	Bermuda	Management services	100%	100%
Flex LNG Endeavour Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Enterprise Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Ranger Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Rainbow Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Constellation Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Courageous Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Aurora Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Amber Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Resolute Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Reliance Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Freedom Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Vigilant Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Volunteer Limited	Marshall Islands	Shipping	100%	100%
Flex LNG Shipping (Bermuda) Limited	Bermuda	Shipping	100%	100%

## CORPORATE CODE OF BUSINESS ETHICS AND CONDUCT

### Introduction

FLEX LNG Ltd. (the “Company” or “Flex”) and all entities controlled by the Company have a strong commitment to promoting honest conduct and ethical business conduct by all Employees (as defined below) and compliance with the laws that govern the conduct of our business worldwide. We believe that a commitment to honesty, ethical conduct and integrity is a valuable asset that builds trust with our customers, suppliers, employees, shareholders, and the communities in which we operate. To implement our commitment, we have developed a code of business ethics and conduct (“the Code”). This Code has been designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships and avoidance of conflicts of interest. The Code establishes rules and standards regarding behavior and performance and any violation of the rules and standards embodied in the Code is not tolerated and will subject those responsible to disciplinary action.

The Code applies to all entities controlled by the Company and all employees, directors, officers and agents of the Company, including representatives and agents of the Company’s manager, Frontline Management (Bermuda) Limited and Frontline Management AS, (collectively, “Employee(s)”). All Employees are required to read and understand the Code and certain Employees will be required to provide a certification to that effect. We encourage all Employees to ask questions regarding the application of the Code. Employees may direct such questions to their manager (in the absence of an actual or potential conflict of interest), or to a Board member.

Employees individually are ultimately responsible for their compliance with the Code. Every manager will also be responsible for administering the Code as it applies to Employees and operations within each manager’s area of supervision.

The Company’s policy is to distribute the Code to affiliated companies and urge that they have in force similar policies and procedures to secure compliance with the principals of business integrity and ethics as set forth in this Code.

Employees who observe or become aware of a situation that they believe to be a violation of the Code have an obligation to notify their manager, an Audit Committee member or an Independent Director unless the Code directs otherwise. Violations involving a manager should be reported directly to an Audit Committee member or an Independent Director. When a manager receives a report of a violation, it will be the manager’s responsibility to handle the matter in consultation with an Audit Committee member or an Independent Director. If an Employee reporting a violation wishes to remain anonymous, all reasonable steps will be taken to keep their identity confidential. All communications will be taken seriously and, if warranted, any reports of violations will be investigated.

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## **Procedures Regarding Waivers**

Because of the importance of the matters involved in this Code, waivers will be granted only in limited circumstances and where circumstances would support a waiver. Waivers of the Code may only be made by the Board.

The Board of Directors

## **CORPORATE CODE OF BUSINESS ETHICS AND CONDUCT**

### **Compliance with Laws, Rules and Regulations**

All Employees are responsible for complying with the various laws, rules and regulations of the countries and regulatory authorities that affect the Company's business. Questions with respect to your duties under the law should be directed to your manager.

### **Honest and Fair Dealing**

Employees must endeavor to deal honestly, ethically and fairly with the Company's customers, suppliers, charterers, competitors and Employees. No Employee should take unfair advantage of anyone through manipulation, concealment, abuse of privilege information, misrepresentation of material facts, or any other unfair-dealing practice.

Honest conduct is considered to be conduct that is free from fraud or deception and ethical conduct is considered to be conduct conforming to accepted professional standards of conduct.

### **Conflict of Interest and Corporate Opportunity**

Employees must:

- a) avoid any interest that conflicts with the interests of the Company or that could reasonably be determined to harm the Company's reputation, and
- b) report any actual or potential conflict of interest (including any material transaction or relationship that reasonably could be expected to give rise to such conflict) immediately to their manager or a Board member and adhere to instructions concerning how to address such conflict of interest.

A conflict of interest exists if actions by any Employee are, or could reasonably appear to be, influenced directly or indirectly by personal considerations, duties owed to persons or entities other than the Company, or by actual or potential personal benefit or gain.

Employees owe a duty to advance the legitimate interests of the Company when the opportunities to do so arise. Employees may not take for themselves personally

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opportunities that are discovered through the use of corporate property, information or position.

### **Confidentiality and Privacy**

It is important that Employees protect the confidentiality of Company information. Employees may have access to proprietary and confidential information concerning the Company's business, clients and suppliers. Confidential information includes such items as non-public information concerning the Company's business, financial results and prospects and potential corporate transactions. Employees are required to keep such information confidential during employment as well as thereafter, and not to use, disclose, or communicate that confidential information other than in the course of employment. To ensure the confidentiality of any personal information collected and to comply with applicable laws, any Employee in possession of non-public, personal information about the Company's customers, potential customers, or Employees, must maintain the highest degree of confidentiality and must not disclose any personal information unless authorization is obtained.

### **Proper Use of Company Assets**

The Company's assets are only to be used for legitimate business purposes and only by authorized Employees or their designees. This applies to tangible assets (such as office equipment, telephone, copy machines, etc.) and intangible assets (such as trade secrets and confidential information). Employees have a responsibility to protect the Company's assets from theft and loss and to ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. If you become aware of theft, waste or misuse of the Company's assets you should report this to your manager.

### **Securities Trading**

Investment by Employees in Flex securities is encouraged. However, because we are a public company we are subject to a number of laws concerning the purchase of our shares and other publicly traded securities. Company policy prohibits Employees and their family members from trading securities while in possession of material, non-public information relating to the Company or any other company, including a customer or supplier that has a significant relationship with the Company.

Information is "material" when there is a substantial likelihood that a reasonable investor would consider the information important in deciding whether to buy, hold or sell securities. In short, any information that could reasonably affect the price of securities is material. Information is considered to be "public" only when it has been released to the public through appropriate channels and enough time has elapsed to permit the investment market to absorb and evaluate the information. If you have any doubt as to whether you possess material non-public information, you should contact your manager,

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an officer of the Company or the Company's representative in charge of insider trading matters and the advice of legal counsel may be sought.

Directors, officers and senior managers ("primary insiders") are subject to various reporting and insider trading requirements. All employees are required to obtain clearance in advance of any contemplated securities transactions from the Company's representative in charge of insider trading matters or the Board and are also required to comply with all reporting requirements.

### **Policies against Discrimination and Harassment**

The Company prohibits discrimination against any Employee, prospective Employee or any other person on the basis of sex, race, color, age, religion, sexual preference, marital status, national origin, disability, ancestry, political opinion, or any other basis prohibited by the laws that govern its operations.

The Company prohibits harassment. Employees are expected to treat all persons with respect. "Harassment" includes any conduct likely to cause offense or humiliation to any person or that might, on reasonable grounds, be perceived by a reasonable person to place a condition on employment or on any opportunity for training or promotion.

### **Integrity of Corporate Records**

All business records, expense accounts, vouchers, bills, payrolls, service records, reports to government agencies and other reports must accurately reflect the facts. Without limiting the foregoing, all reports and documents filed with the U.S. Securities and Exchange Commission, as well as other public communications should be full, fair, accurate and understandable.

The books and records of Flex must be prepared with care and honesty and must accurately reflect our transactions. All corporate funds and assets must be recorded in accordance with Company procedures. No undisclosed or unrecorded funds or assets shall be established for any purpose.

The Company's accounting personnel must provide the independent public accountants and the Board with all information they request. Employees must not, and must not direct others to, take any action to fraudulently influence, coerce, manipulate or mislead independent public accountants engaged in the audit or review of the Company's financial statements for the purpose of rendering those financial statements materially misleading.

### **Special Ethics Obligations for Employees with Financial Reporting Responsibilities**

The Chief Executive Officer, the Chief Financial Officer and Principal Accounting Officer and those other employees designated by the Chief Financial Officer as being involved in the preparation of the Company's financial statements (collectively, the

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“Financial Statement Reporting Employees”) have a special role both to adhere to the forgoing principals themselves and also promote a culture throughout the Company of the importance of full, fair, timely, accurate and understandable reporting of the Company’s financial results and conditions. Because of this special role, the Financial Statement Reporting Employees are bound by the following financial employee code of ethics, and by accepting the Code, each such Financial Statement Reporting Employee agrees that she or he will:

- Act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships.
- Provide constituents with information that is accurate, complete, objective, relevant, timely and understandable within accepted materiality standards. Provide full, fair, accurate, timely and understandable disclosure on SEC reports and other public communications.
- Provide full, fair, accurate, timely and understandable disclosure on SEC reports and other public communications.
- Comply with rules and regulations of federal, state, provincial and local governments, and other appropriate private and public regulatory agencies.
- Act in good faith, responsibly, with due care, competence and diligence, without misrepresenting material facts or allowing ones independent judgment to be subordinated.
- Respect the confidentiality of information acquired in the course of ones work except when authorized or otherwise legally obligated to disclose. Confidential information acquired in the course of ones work is not used for personal advantage.
- Promptly report all material internal violations of the Code to ones supervisor, chief financial officer as appropriate.
- Acknowledge that any material violation of the Code may subject one to disciplinary action up to and including termination.

The Financial Employee Code of Ethics is deemed to be the “code of ethics” required under Section 406 of the Sarbanes-Oxley Act of 2002.

### **Entertainment, Gifts, Payments and Bribery**

Decisions by the Company and its agents relating to the procurement and provision of goods and services should always be free from even a perception that favorable treatment was sought, received or given as the result of furnishing or receiving gifts, favors, hospitality, entertainment or other similar gratuity. The giving or receiving of anything of value to induce such decisions is prohibited. Employees should never solicit a gift or favor from those with whom the Company does business. Providing or receiving gifts or entertainment of moderate value motivated by commonly accepted business courtesies is permissible, but not if such gifts or entertainment would reasonably be expected to cause favoritism or a sense of obligation.

No bribes or other similar payments and benefits, directly or indirectly, shall be paid to employees of suppliers or customers.

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## **Compliance with Anti-Trust Laws**

The Company's business may be subject to United States, European Union and other foreign government anti-trust and similar laws. All Employees must comply with such laws and you should confer with your manager whenever you have a question with respect to the possible anti-competitive effect of particular transactions.

## **Reporting of Violations of the Code**

Directors, officers and employees should promptly report to an Audit Committee member or an Independent Director information of any act by any director, officer or employee that violates the Code. Flex will treat such information in a confidential manner. Employees are encouraged to speak to supervisors, managers and other appropriate personnel when in doubt about the best course of action in a particular situation.

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated April 4, 2019, in the Registration Statement (Form 20-F) of FLEX LNG Ltd. for the registration of its ordinary shares.

/s/ Ernst & Young AS  
Bergen, Norway  
May 7, 2019

## CONSENT OF SEWARD &amp; KISSEL LLP

We hereby consent to each reference to our firm and the discussions of advice provided by us under the headings "Item 1. Identity of Directors, Senior Management and Advisers—B. Advisers" and "Item 10. Additional Information—E. Taxation—U.S. Federal Income Taxation" in the Registration Statement on Form 20-F (the "Registration Statement") of FLEX LNG Ltd., without admitting that we come within the category of persons whose consent is required under, or that we are "experts" within the meaning of, the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the rules and regulations of the U.S. Securities and Exchange Commission issued thereunder with respect to any part of the Registration Statement.

/s/ Seward & Kissel LLP

Seward & Kissel LLP

New York, New York

May 7, 2019

**CONSENT OF MJM LIMITED**

We hereby consent to the reference to our firm under the heading "Item 1. Identity of Directors, Senior Management and Advisers—B. Advisers" in the Registration Statement on Form 20-F (the "Registration Statement") of FLEX LNG Ltd., without admitting that we come within the category of persons whose consent is required under, or that we are "experts" within the meaning of, the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the rules and regulations of the U.S. Securities and Exchange Commission issued thereunder with respect to any part of the Registration Statement.

/s/ MJM Limited

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MJM Limited

Hamilton, Bermuda

May 7, 2019