



SHIPTERMS

STANDARD SECURED TERM LOAN FACILITY
INDICATIVE TERM SHEET FOR
SYNDICATED SHIP FINANCING

PART I

The terms and conditions set out in this Term Sheet are indicative only and do not constitute an offer to finance the term loan facility described in this Term Sheet. The provision of the term loan facility described in this Term Sheet is subject to credit committee approval and satisfactory documentation.		1. Date of Term Sheet
2. Maximum Facility Amount (state currency) (Cl. 4)	3. Maturity Date (state as appropriate) (Cl. 8)	
4. Interest Periods (Cl. 12)	5. Base Rate (Cl. 11)	
6. Margin (percentage per annum) (Cl. 11)	7. Default Rate (Cl. 11)	
8. Borrower(s) (name and jurisdiction of incorporation)	9. Lender(s) (name and/or basis of selection)	
10. Guarantor(s) (name and jurisdiction of incorporation)	11. Obligors (in addition to Borrower(s) and Guarantor(s))	
12. Arranger(s) (name)	13. Facility Agent(s) (name, including agents for particular Facility tranches) (Cl. 16)	
14. Security Agent (name) (Cl. 17)	15. Bookrunner (name), if applicable	
16. Hedging Bank (name), if applicable (Cl. 25)	17. Account Bank (name), if applicable	
18. Export Credit Agency (name), if applicable (Cl. 5 and 18)	19. Majority Lenders' threshold (Cl. 26)	
20. Vessel(s) (describe or specify in Annex A)	21. Vessel(s) Registries/Flags (describe or specify in Annex A) /	
22. Classification Society and Class Notation (describe or specify in Annex A) /	23. Commercial and Technical Manager(s), if applicable	
24. Builder and/or Seller, as applicable (name or specify in Annex A) /	25. Shipbuilding Contract and/or Memorandum of Agreement, as applicable (describe or specify in Annex A) /	
26. Charterparty duration consent threshold, if applicable	27. Major Casualty Amount (Cl. 21)	
28. Governing Law (Cl. 30)	29. Jurisdiction (Cl. 30)	

This Term Sheet consists of PART I, PART II, Annex A (Vessel Information) and, if applicable, Annex B (Repayment Profile), Annex C (Information) and Annex D (Financial Covenants).

PART II - Secured term loan facility
Indicative term sheet for syndicated ship financing

THE FACILITY

1. Facility

The Lenders will make available to the Borrower(s) the term loan facility as set out in this Term Sheet. The liabilities and obligations of the Lenders will be several.

2. Purpose

Loan(s) may be drawn under the Facility for the purpose of financing or refinancing the Vessel(s) [and *[state other purposes, if relevant]*].

3. Tranches

The Facility will include the following tranches *[Describe tranches as agreed]*.

4. Amount

The maximum amount of the [Tranche in relation to each Vessel] OR [each Tranche] will be the lesser of:

- i. *[insert currency and amount of the Tranche(s) for each Vessel]*; and
- ii. the amount equal to *[insert as agreed]*% of the fair market value of such Vessel as at delivery, as determined by an average of two desk top valuations provided by valuers acceptable to the Lenders (pre-agreed valuers being listed in Annex C), on a charter-free basis at the cost of the Borrower(s),

provided that the aggregate amount of the Facility for all Vessels shall in no event exceed the Maximum Facility Amount stated in Box 2.

[5. ECA Support]

[The Export Credit Agency will provide a *[describe relevant ECA insurance policy or guarantee]*, covering *[insert as appropriate]*% of the risks in respect of payment of principal and interest under the [Facility] OR *[describe relevant ECA-supported Tranche]*. *[Include only if transaction involves ECA support through a separate instrument in favour of Lenders (rather than ECA itself being a lender).]*

6. Availability Period(s)

From the date of the Facility Agreement to *[insert date.]* OR [the earlier of *[insert date]* and the last day for [the]/[each] Vessel delivery under [the]/[each] Shipbuilding Contract or Memorandum of Agreement.]

7. Drawdown

[Each Tranche] OR [The Facility] will be available for drawing during the [applicable] Availability Period(s), subject to the fulfilment of the Conditions Precedent listed in Clause 28.

[Each Tranche] OR [The Facility] must be drawn in a single drawdown [per Vessel].

8. Repayment

The Loan(s) will be repaid in accordance with the repayment profile described in Annex B and

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will be repaid in full no later than on the Maturity Date stated in Box 3.

9. Cancellation and Prepayment

(a) Voluntary cancellation

The Borrower(s) may, on not less than 10 banking days' prior notice, cancel the whole or any part of the undrawn Facility.

(b) Voluntary prepayment

The Borrower(s) may, on not less than 10 banking days' prior notice, prepay the whole or any part of the Loan(s) on the last day of an Interest Period.

(c) Cancellation and prepayment of a single Lender

The Borrower(s) may, on not less than 10 banking days' prior notice, cancel the commitment in the undrawn Facility, and prepay the participation in the Loan(s), of any Lender who makes a claim under any of the provisions relating to increased costs, tax gross-up or tax indemnity.

(d) Mandatory prepayment

Any undrawn portion of the Facility will be cancelled and the Loan(s) will be repaid in full (or in the case of i., ii. and v. below the Loan(s) in relation to the affected Vessel(s)) if any of the following occurs:

- i. Vessel actual or constructive total loss;
- ii. Vessel disposal;
- iii. change of control [*describe any agreed change of control event*];
- iv. [the ECA Support is cancelled, suspended, or terminated in whole or in part or is no longer in full force and effect;] [*Include only if transaction involves ECA support through a separate instrument in favour of Lenders (rather than ECA itself being a lender).*]
- v. [termination of a long-term charterparty specified in Annex A unless replaced by Vessel employment acceptable to the Lenders;] [*Include if a long-term charter forms part of the financing package.*]; or
- vi. illegality.

Amounts cancelled may not be reinstated. Amounts prepaid may not be reborrowed and will be applied against the outstanding instalments as specified in Clause 8 in inverse order of maturity.

No cancellation fee will be payable in respect of any cancellation.

Any prepayment shall be made with accrued interest on the amount prepaid, if made on a day which is not the last day of an Interest Period, subject to breakage costs[,]/[and] [amounts (if any) payable under the Hedging agreements in connection with that prepayment][*Include if the Loan is a floating rate loan and hedging is included.*], but, unless otherwise stated under "Pricing", without premium or penalty.

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10. Application of Payments

In the event of a mandatory prepayment referred to in subclause 9(d)i. and ii., if the proceeds of the relevant total loss or disposal of a Vessel exceed the Tranche relating to that Vessel, any excess proceeds will be applied as follows: *[insert as agreed]*.

PRICING

11. Interest

Interest will accrue on the outstanding amount of the Loan(s) on the basis of a 360 day year at the rate which is the aggregate of:

- i. the Base Rate, to be determined by reference to Thomson Reuters and, where appropriate, the use of linear interpolation; and
- ii. the Margin.

In case of a negative Base Rate, the Base Rate shall be [as agreed between the parties] *OR* *[insert as agreed]*.

Interest will be payable in arrears on the last day of each Interest Period.

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

12. Interest Periods

Interest will accrue in the Interest Periods described in Box 4.

13. Arrangement Fee

An arrangement fee in the amount of *[insert as agreed]*% on the amount of the Facility will be payable to the Arranger(s) on [signing of the Facility Agreement] *OR* [as set out in a fee letter].

14. Commitment Fee

A commitment fee in the amount of *[insert as agreed]*% per annum on the undrawn and uncanceled amount of the Facility will be payable to the Lender(s) for the Availability Period(s). Accrued commitment fee will be payable quarterly in arrears during the Availability Period(s), the last such payment being on the last day of the Availability Period(s) or any earlier date on which the Facility is cancelled in full.

[15. Prepayment Fee]

[A prepayment fee in the amount of *[insert]* will be payable to the Lender(s) in respect of any voluntary prepayment or any mandatory prepayment pursuant to subclause 9(d)ii., iii., [iv. and v..] *[Include only if commercially agreed.]*

16. Facility Agency Fee

A facility agency fee in the amount of *[insert amount]* will be payable to the Facility Agent *[specify timing]* *OR* [as set out in a fee letter].

17. Security Agency Fee

A security agency fee in the amount of *[insert amount]* will be payable to the Security Agent

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[specify timing] OR [as set out in a fee letter].

[18. ECA Premium]

[An ECA premium in the amount of *[insert as appropriate]*% of the total commitments [under the *[describe ECA-supported tranche]*], as calculated and confirmed by the Export Credit Agency, will be payable [on the date of each [Delivery] Drawdown] OR *[insert otherwise agreed payment timing]*. [The ECA Premium, once paid, will not be refundable except in accordance with the ECA Support.] *[Include if transaction involves ECA support through a separate instrument in favour of Lenders.]*

OTHER FACILITY TERMS

19. Finance Documents

The Facility will be made available under the Facility Agreement[, which will be based on *[insert as agreed, if applicable]*]. Other documentation will include the security documents, any fee letters and such other documents as may be agreed. Each Finance Document shall be in form and substance satisfactory to the parties [and will include customary provisions relating to the ECA Support] *[Include if transaction involves ECA support through a separate instrument in favour of Lenders.]*.

20. Security

Security, on a cross-collateralised basis, will include:

- i. a duly registered first priority/first preferred ship mortgage over the Vessel(s) and, if applicable, a collateral deed of covenants;
- ii. a first priority assignment of the insurances, earnings and any requisition compensation relating to the Vessel(s);
- iii. a first priority security interest over an earnings account relating to the Vessel(s);
- iv. a first priority assignment of any Vessel charterparty, perfected by notification to the charterer(s) in the case of any (a) bareboat charterparty, (b) any long-term charterparty specified in Annex A and (c) any charterparty which exceeds (or, by virtue of any optional extensions, may exceed) the number of months stated in Box 26;
- v. the guarantee(s) of the Guarantor(s);
- vi. [a first priority security interest over the shares or other equity interests in the Borrower(s) and subordination of intra-group liabilities of the Borrower(s);] *[include if applicable]*
- vii. an undertaking from any Commercial and/or Technical Manager stated in Box 23; and
- viii. [a first priority assignment of any Hedging agreement entered into pursuant to Clause 25.] *[include if applicable]*

21. Insurances

The Vessel(s) will be insured, with insurers acceptable to the Security Agent acting on the instruction of the Lenders [and of the Export Credit Agency], at the cost of the Borrower(s) against customary risks, including:

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- i. hull & machinery risks, including hull interest, on an agreed value basis for the higher of the fair market value of each Vessel and *[insert as agreed]*% of the Tranche relating to that Vessel;
- ii. protection & indemnity risks, including oil pollution liability, at the highest level of cover available under a standard P&I club entry;
- iii. war risks, including blocking and trapping; and
- vi. *[loss of hire] [include only if commercially agreed]*.

The insurances under i. and iii. and, if applicable iv. above must name the Security Agent as sole loss payee in respect of any insurance proceeds in excess of the Major Casualty Amount stated in Box 27. Proceeds of a total loss will be applied by the Security Agent in prepayment of the Tranche(s) as set out in Clause 10. Proceeds of a major casualty will be held by the Security Agent as security and will be applied towards reimbursement of the cost of reinstating the Vessel(s) paid by the Borrower(s) or, at the request of the Borrower(s), paid directly to third parties engaged in the reinstatement of the Vessel(s).

The Borrower(s) will indemnify the Security Agent for the reasonable cost of any mortgagee interest insurance, including insurance for additional perils, obtained by the Security Agent.

22. Representations and Warranties

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

23. Covenants

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

(a) Vessel covenants

- i. maintenance of ownership and registration of the Vessel(s);
- ii. restriction on change of Vessel Registry/Flag, name or Classification Society without prior consent of the Facility Agent acting on the instruction of the Lenders [and of the Export Credit Agency] *[Include if transaction involves ECA support through a separate instrument in favour of Lenders]*;
- iii. maintenance of Class Notation and compliance with mandatory Classification Society requirements;
- iv. compliance with ISM and ISPS codes;
- v. restriction on modifications to the Vessel(s) without prior consent of the Facility Agent acting on the instruction of the Lenders [and of the Export Credit Agency] *[Include if transaction involves ECA support through a separate instrument in favour of Lenders]*;
- vi. Facility Agent inspection rights;
- vii. no liens, other than permitted liens, and release from arrest;

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- viii. prudent operation and maintenance of Vessel(s), including restriction on actions which would invalidate insurances and restriction on trading in war zones;
- ix. restriction on change of Commercial and/or Technical Managers without prior consent of the Facility Agent acting on the instruction of the Lenders [and of the Export Credit Agency] *[Include if transaction involves ECA support through a separate instrument in favour of Lenders]*;
- x. earnings payment and application provisions;
- xi. restriction on entering into time charterparties (other than any charterparty specified in Annex A) *[Include if a long-term charter forms part of the financing package.]* for a period including any extension options in excess of the number of months stated in Box 26 or any bareboat charterparty, in either case without prior consent of the Facility Agent acting on the instruction of the Lenders [and of the Export Credit Agency] *[Include if transaction involves ECA support through a separate instrument in favour of Lenders]*; and
- xii. hazardous material recording and safe and environmentally sound recycling.

(b) General covenants

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

(c) Information covenants

- i. annual audited accounts and semi-annual unaudited accounts as specified in Annex C as soon as they become available but in any event within, in the case of annual accounts, 180 days and, in the case of semi-annual accounts, 90 days of the end of the relevant financial period;
- ii. annual operating budgets or forecasts;

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- iii. all information relating to any “know your customer” or other regulatory checks required to be carried out by the Lenders;
- iv. prompt notification of any Event of Default;
- v. prompt notification of any Vessel arrest or requisition, lay-up, unscheduled drydocking, actual or constructive total loss of the Vessel(s) or any Vessel damage exceeding the Major Casualty Amount stated in Box 27; and
- vi. any other information which the Facility Agent reasonably requests regarding the Vessel(s), earnings, insurances or the Obligors.

(d) Financial covenants

i. Security maintenance covenant

Fair market value of the Vessel(s) will be determined no less frequently than every 6 months by an average of two desk top valuations by valuers acceptable to the Lenders (pre-agreed valuers being listed in Annex C), provided on a charter-free basis at the cost of the Borrower(s). The ratio of the aggregate fair market value of the Vessel(s) to the total outstanding Loan(s) must at all times be at least equal to *[insert as agreed]*%. If the fair market value of the Vessel(s) diminishes such that the value to loan requirement is not satisfied, the Borrower(s) will either (a) prepay such portion of the Loan(s) as will ensure that the value to loan requirement is satisfied or (b) post additional collateral acceptable to the Lenders (such additional collateral to be taken into account in subsequent calculations of the value to loan ratio). Amounts prepaid may not be reborrowed and will be applied against the outstanding instalments as specified in Clause 8 (Repayment) in inverse order of maturity. No prepayment fee will be payable in respect of any such prepayment, but if such prepayment is made on a day which is not the last day of an Interest Period, breakage costs will be payable; and

- ii. other financial covenants as may be agreed between the parties and specified in Annex D.

24. Events of Default

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

- i. non-payment;
- ii. breach of covenants and failure to comply with any other provision of the Facility Agreement or any other Finance Document;
- iii. misrepresentation;
- iv. cross default in excess of a threshold of *[insert agreed threshold amount]*;
- v. insolvency;
- vi. insolvency proceedings;
- vii. creditors' process;
- viii. unlawfulness, invalidity or loss of priority of security;

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- ix. litigation; and
- x. material adverse change.

[25. Hedging]

[Interest rate hedging will be implemented on or before the date of the [first] Drawdown in respect of not less than *[insert as agreed]*% of the Facility and maintained until *[insert as agreed]*.] *OR* [If any hedging is implemented by the Borrower(s), the relevant hedging provider must become a party to the Finance Documents as Hedging Bank.]

[Hedging of aggregate notional amounts must not exceed *[[insert as agreed]*% of] the amounts outstanding under the Facility.]

[All Hedging agreements will share in the Security and will rank *pari passu* with the Facility, but the Hedging Bank will [have] *OR* [not have] a vote in relation to enforcement or other decisions requiring Majority Lenders' or all Lenders' consent.]

26. Majority Lenders

66 2/3% of the Lenders' total commitments, unless otherwise agreed and stated in Box 19.

27. Amendments and waivers

Amendments and waivers will generally require the consent of the Majority Lenders. However, the Facility Agreement will specify particular provisions customary for transactions of this nature, amendments to, or waivers of which, require all Lenders' consent.

28. Conditions Precedent

Conditions Precedent to signing of the Finance Documents and Drawdown(s), as applicable, customary for transactions of this nature, including:

- i. a duly executed and, if applicable, registered original of each Finance Document;
- ii. [evidence that the ECA Support is in effect;] *[Include if transaction involves ECA support through a separate instrument in favour of Lenders]*
- iii. constitutional documents of the Obligors;
- iv. evidence that all necessary corporate, shareholder and other action has been taken by the Obligors to authorise the execution, delivery and performance of the Facility Agreement and the other Finance Documents;
- v. financial statements of the Obligors;
- vi. customary legal and insurance opinions;
- vii. evidence of process agent appointment, if applicable;
- viii. evidence of payment of equity portion of the acquisition cost of the Vessel(s), if applicable;

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- ix. current valuation(s) of the Vessel(s) in accordance with fair market value requirements;
- x. evidence that the Vessel(s):
 - a. is/are registered in the name of the Borrower(s) under the Registry/Flag stated in Box 21,
 - b. is/are free of encumbrances,
 - c. maintain(s) the Class Notation with the Classification Society each as stated in Box 22, and
 - d. is/are insured in accordance with the terms of the Finance Documents;
- xi. copies of any Shipbuilding Contract or Memorandum of Agreement or any long-term charterparty specified in Annex A relating to the Vessel(s), if applicable;
- xii. copies of applicable technical and commercial management agreements (and of any applicable document of compliance);
- xiii. copies of customary vessel certificates (including statutory safe manning certificate);
- xiv. payment of all applicable fees and expenses; and
- xv. no Event of Default or any event which with the giving of notice or the lapse of time would constitute an Event of Default.

29. Miscellaneous

- i. Each Lender may sub-participate or transfer all or any of its rights and obligations subject to the [consent of] *OR* [consultation with] *OR* [notice to] the Borrower(s) [which shall not be unreasonably withheld]. Such [consent/consultation/notice] shall not be required following an Event of Default or in case of transfer to an affiliate of the Lender [or in the case of transfer to the Export Credit Agency] [*Include if transaction involves ECA support through a separate instrument in favour of Lenders*]. The Borrower(s) shall not pay any additional costs or incur any additional liabilities as a result of circumstances existing at the time of such sub-participation or transfer.
- ii. The Borrower(s) will be responsible for costs and expenses (including legal expenses) of the Lender(s) and other finance parties reasonably incurred in the negotiation, preparation, execution and perfection of the Facility Agreement and the other Finance Documents.
- iii. The Facility Agreement will contain provisions customary for transactions of this nature (subject to such qualifications as may be agreed) relating to, among other things, default interest, market disruption, tax gross-up, tax and general indemnities, US Foreign Account Tax Compliance Act and analogous legislation, applicable bail-in legislation, enforcement and amendment costs, increased costs and set-off.
- iv. The Facility Agreement will contain customary provisions relating to disclosure of confidential information, including the fact that this Term Sheet and its contents should be treated as confidential between the parties and may not be disclosed to any person other than a party's legal and other professional advisors in relation to the proposed Facility.

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- v. The Facility Agreement will contain customary agency and security agency/trust provisions.

**30. Governing Law
and Jurisdiction**

The Facility Agreement and all other Finance Documents will be subject to the Governing Law and Jurisdiction stated in Boxes 28 and 29, except that the ship mortgage(s) shall be subject to the laws of the Vessel Registry/Flag state(s) stated in Box 21 and except where another Governing Law is appropriate in the case of any other Finance Document.

Sample copy

ANNEX A

VESSEL INFORMATION

VESSEL 1

Vessel name/IMO number: /

Vessel owner:

Vessel type / specifications: /

Vessel Registry/ Flag: /

Vessel Classification Society and Class notation:

Builder or Seller:

Shipbuilding Contract or Memorandum of Agreement:

Scheduled delivery date:

Long-term charterparty (if applicable):

VESSEL 2/3/4 etc.

Vessel name/IMO number: /

Vessel owner:

Vessel type / specifications: /

Vessel Registry/ Flag: /

Vessel Classification Society and Class notation:

Builder or Seller:

Shipbuilding Contract or Memorandum of Agreement:

Scheduled delivery date:

Long-term charterparty (if applicable):

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ANNEX B

REPAYMENT PROFILE

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ANNEX C
INFORMATION

VALUERS (Cl. 4.ii. and Cl. 23(d)i.)

ACCOUNTS (Cl. 23(c)i.)

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ANNEX D
FINANCIAL COVENANTS

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