



Economic and Rural Development and Tourism
Deputy Minister

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February 3, 2015

PRIVATE AND CONFIDENTIAL

Mr. Mark Amundsen
President & CEO
Nova Star Cruises Limited
P.O. Box 582
Elliot, Maine 03903

Via email Mark.Amundsen@novastarcruises.com

Dear Mr. Amundsen:

Re: Funding Agreement for Yarmouth Ferry Project

This letter agreement will set out the terms and conditions under which Her Majesty the Queen in Right of the Province of Nova Scotia as represented by the Minister of Economic and Rural Development and Tourism (the "**Province**") is prepared to provide additional funding to Nova Star Cruises Limited (the "**Company**") in connection with the operation of the Yarmouth-Portland Ferry (the "**Ferry Service**") for the 2015 sailing season.

This Agreement is intended to replace the letter agreement dated October 10, 2014, and accepted by the Company on October 14, 2014 (the "**October Agreement**"). The Province and the Company agree that the October Agreement is terminated and that the Province shall have no further obligation under the October Agreement.

The Province and the Company continue to be bound by the terms and conditions set out in the letter of offer to provide financial assistance (the "**Original Letter of Offer**") to the Company dated November 1, 2013 addressed to Quest Navigation, Inc. and Singapore Technologies Marine Ltd. ("**STM**") (collectively, the "**Shareholders**") provided by the Province and assigned by the Shareholders to the Company pursuant to a joinder agreement dated January 9, 2014 made between the Shareholders, the Company and the Province and which Original Letter of Offer has been amended by amending letters dated February 5, 2014, February 21, 2014, April 11, 2014, August 25, 2014, September 17, 2014, February 3, 2015 and February 3, 2015 and a waiver of default dated October 17, 2014 (collectively, the "**Letter of Offer**").

Funding

Any funding to be provided by the Province under this Agreement:

- (a) will be provided as part of the programming of the Department of Economic and Rural Development and Tourism relating to economic and rural development and the economic growth strategy and is subject in all respects to one or more appropriations being approved by the legislature or the Governor in Council of the Province and the budget of the Province from year to year;

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(b) will be determined by the Province with the assistance of the Company based on information related to the Ferry Service provided by the Company to the Province and is intended to assist in funding working capital and net capital asset acquisitions of the Company in connection with the Ferry Service (the "**Funding Requirements**"), provided that the final determination of the amount of any funding provided under this Agreement from time to time shall be determined by the Province in its sole discretion; and

(c) will, when determined by the Province, be disbursed to the Company on a schedule of disbursement to be agreed upon between the Company and the Province.

Funding for the Funding Requirements provided by the Province will be based on a document outlining the key components of the business plan including detailed monthly financial projections provided by the Company to the Province for the upcoming fiscal year. Such projections shall indicate the projected funding shortfall in the Company's operation of the Ferry Service, including the need for any net capital acquisitions. Such projections shall indicate whether the Company intends to raise capital from sources other than the Province through the issuance of debt and/or equity. Following the approval of the Company's financial projections by the Province, the Province shall determine the level of contribution it is prepared to make towards the Funding Requirements. The Province and the Company shall determine a suitable funding schedule for the upcoming fiscal year.

In addition to the Company's other reporting requirements set out in this Agreement and Letter of Offer, the Company shall provide a monthly report to the Province (or its designate) setting out its performance measured against the original projections and providing detailed explanations with respect to any variances.

In the event that the Company's operations for the current year shall result in a surplus as determined in the Company's financial statements, the Province shall be entitled to a refund of its contributions to the extent of the surplus. In the event of any surplus, the Province shall provide a written notice to the Company requiring the refund of its contributions to the extent of such surplus no later than thirty (30) business days following the delivery of the Company's annual financial statements to the Province and the Company shall make payment of the surplus amount to the Province within thirty (30) business days of the request or the resolution of the Objection (as defined below). The surplus of the Company shall be determined applying generally accepted accounting principles subject to the following:

(a) for greater certainty, the funding provided by the Province under this Agreement shall be considered as revenue of the Company for purposes of the determination of surplus (excluding amounts which the Province has agreed may be designated for capital acquisitions); and

(b) for the purposes of the agreement dated January 9, 2014 made among the Province, the Company, **S 20(1)** in relation to the deferral of management salaries, the funding provided by the Province under this Agreement shall be considered as "Province Revenue".

In the absence of such surplus any funding provided by the Province under this Agreement is not subject to repayment by the Company. This paragraph shall survive the termination of this Agreement for any reason.

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If the Province disagrees with the calculation of the surplus provided by the Company, the Province may, within thirty (30) days following the delivery of the Company's report outlining the surplus calculation deliver a notice in writing to the Company setting out its objection to the calculation of the surplus calculation (the "Objection"). The Objection shall set out in reasonable detail those amounts as to which there is a disagreement.

In the event of the delivery of an Objection, the Company and the Province shall meet during the ten (10) – day period following the delivery of the Objection to attempt to reach agreement on the disputed items or amounts. If the Province and the Company are unable to reach agreement on all disputed items or amounts during such period, they shall promptly thereafter cause a mutually acceptable independent public accounting firm (the "Referee") to review this Agreement and the disputed items or amounts for the purpose of calculating the surplus. If the parties are unable to agree on the appointment of the Referee, either party may apply to the Supreme Court of Nova Scotia for an order appointing a Referee. The parties shall provide to the Referee such information as may be reasonably requested by the Referee within the time period specified by the Referee which in any event shall not exceed ten (10) days. The Referee shall render its decision within a period of fourteen (14) days following the delivery of the final information requested by the Referee. The decision of the Referee as to the determination of the surplus shall be final and binding on both the Province and the Company. The cost of the review of the surplus calculation by Referee shall be borne by the unsuccessful party to the Objection or as otherwise determined by the Referee.

Notwithstanding any other provision of this Agreement, the Province is under no obligation to consider any funding to the Company unless it is satisfied, in its sole discretion, that STM will support the continued operation of the Ferry Service by the Company which support would include entering into an agreement which provides for a suitable deferral/reduction of the charter payments relating to the use of the "Nova Star". In the event the Province agrees to provide funding to the Company prior to STM entering into an agreement in relation to the modification of the charter payments, the Province may suspend, at any time, funding to the Company until STM enters into such agreement.

Schedule Obligations

The Company shall provide the Ferry Service in accordance with the following schedule:

Commencement of Ferry Service:	No later than June 22 provided that the Company shall advise the Province of the commencement date no later than February 1, 2015
Cessation of Ferry Service:	No earlier than October 1 provided that the Company shall advise the Province of the cessation date no later than February 1, 2015.
Operation:	Seven (7) days a week
Daily Departure Times:	Depart Portland 20:00 EST – Arrive Yarmouth 08:00 AST Depart Yarmouth 9:30 AST – Arrive Portland 19:00 EST

In the event the Company fails to comply with the sailing schedule as set out above, the Company shall be required to cure any such failure within three (3) days from the receipt of written notice from the Province outlining the nature of the Company's failure. The preceding sentence shall be considered an amendment to the Letter of Offer in relation only to a default in connection with compliance with the sailing schedule.

Any changes in the above schedule shall require the written consent of the Minister of Economic and Rural Development and Tourism (or his designate).

Charter Obligations

The Company shall comply with all obligations under the charter party agreement with STM in relation to the "Nova Star" or under the charter party agreement for any other vessel used in connection with the Ferry Service (the "Vessel") during the term of this Agreement (the "Charter Party").

Term

This Agreement shall expire on December 31, 2015 unless earlier terminated in accordance with other provisions of this Agreement (the "Term").

Reporting and Other Requirements

The Company shall continue to comply in all respects with the Letter of Offer. A default under this Agreement by the Company shall be deemed to be a default under the Letter of Offer.

The Company shall, on a timely basis, provide the following information to the Province in a form acceptable to the Province (in all cases, electronic communications is an acceptable form of communication):

1. annual financial forecasts for the current fiscal year of the Company (the fiscal year of the Company being January 1 to December 31 and referred to herein as the "Company's Fiscal Year");
2. on a monthly and on an annual basis, financial forecasted information for the current fiscal period in a format consistent with that provided previously by the Company, including capital and operating forecasted expenditures;
3. on Monday of each week starting on the date of this Agreement in a format and on a basis consistent with previous submissions under the Letter of Offer, projected monthly cash flow reports (as defined below) subject to any changes which may be requested by the Province or suggested by the Company;
4. immediate reporting with respect to any significant variances from projected monthly and annual financial forecasts during the Company's Fiscal Year;
5. for the period commencing May 1 to the end of the sailing season, on Monday and Thursday of each week, information on passenger bookings in a format and on a basis consistent with previous submissions under the Letter of Offer, including information that reflects historical actual vessel passengers and passenger bookings for future travel for

- the sailing season presented at a minimum on a monthly basis subject to any changes which may be requested or approved by the Province;
6. on a monthly basis, reporting of the number, origin and nature of vehicles (broken down by category according to the Company's pricing schedule) per sailing, provided within 2 weeks of the end of the reporting month end;
 7. monthly financial statements together with such year to date and budget information as the Province may require;
 8. a list of proposed material disbursements prior to payment being made (defined as any payment or invoice greater than \$5,000), including identification of any unusual or unplanned payments (not budgeted during the current period), with supporting invoices provided on request;
 9. monthly reports with respect to administrative salaries incurred year to date and all material contract costs including specific reference to any expenses incurred with the Company's shareholders and related parties in respect of which "related parties" shall include any director, officer or shareholder or any associate thereof as defined under the *Canada Business Corporations Act*;
 10. at the same time such information is provided to board members, copies of the information packages provided to directors for purposes of all board meetings, including minutes and resolutions of the board;
 11. quarterly reports on expenditures incurred and procured, for the three month periods ending March 31, June 30, September 30 and December 31, divided by geographic area, including but not limited to Nova Scotia, Canada, Maine, the United States and foreign;
 12. the Company shall develop and implement a media relations plan by February 28, 2015 to ensure that media and information requests are dealt with on a timely basis, respecting the Company's right to proprietary business information and the Province's commitment to public accountability;
 13. the Company shall deliver a copy of its annual audited financial statements in accordance with the requirements set out in the Letter of Offer;
 14. the Company shall use reasonable commercial efforts to:
 - (a) maximize job creation in Southwest Nova Scotia in accordance with page 55 of the STM Proposal (as defined in the Letter of Offer);
 - (b) employ Nova Scotia residents and purchase products and services from Nova Scotia businesses; and
 - (c) work cooperatively and actively in an open and transparent manner with the Province (or any of its Affiliates identified by the Province) in an effort to maximize the economic development opportunities for Nova Scotians; and

15. such additional information as the Province, acting reasonably, may request from time to time.

The Province shall have full access to the financial books and records of the Company and shall perform such review of such books and records as it determines appropriate based on the financial performance of the Company. In so doing, the Province may engage such outside consultants as it may deem appropriate. The Company shall provide its full cooperation to the Province and its consultants as part of any such review. The Province shall ensure that any such review shall minimize the interruption with respect to the day-to-day operations of the Company.

During the course of the sailing season, the Company shall make a public disclosure of monthly passenger ridership within fifteen (15) calendar days following the end of each month and provide the Province with copies of any such disclosure.

The Company will coordinate as required with the Nova Scotia Tourism Agency ("NSTA") in its marketing efforts and in developing a process and formats by which NSTA can obtain required information related to the Ferry Service, including lists of all printed material received from the NSTA together with the details of the distribution of such materials by day by port.

The Company shall ensure that tourism literature supplied by NSTA shall be prominently displayed on board the Vessel and in both the Yarmouth and Portland terminals and shall be available to all passengers in sufficient quantities.

The Province may appoint one of its representatives as an observer to the Company's board of directors and such appointee shall be provided with copies of all communications provided to any director of the Company either by the Company or any other director.

Subject to the provisions of the *Freedom of Information and Protection of Privacy Act* or under any rules of the Legislature of the Province and any other applicable legislation or Court Order to the contrary, all documentation on and information provided by the Company to the Province for purposes of obtaining funding under this Agreement shall be kept confidential provided, however, and notwithstanding any other agreement or non-disclosure agreement between the Province or the Minister and the Company, the Province or the Minister may release this Agreement, in whole or in part, without further consent of the Company. On the request of the Minister, the Company agrees to comply with the *Accountability in Economic Development Assistance Act* as if this Agreement were subject to the application of that Act.

Right of Termination

The Province may terminate this Agreement by notice in writing to the Company if:

- a) the Company fails to comply with any of its obligations under this Agreement;
- b) the Company defaults under the terms of any other agreements entered into by the Company in relation to the provision of the Ferry Service, including the Letter of Offer;
- c) there is significant change in the management team and ownership group as determined by the Province; or

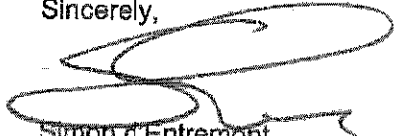
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Mr. Mark Amundsen, President & CEO
Nova Star Cruises Limited
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- d) there is significant negative variance in historical financial results or the Company's future outlook as determined by the Province.

Please signify your acceptance of this Agreement by signing and returning the duplicate copy of this Agreement. The offer of funding set out in this Agreement shall remain open for acceptance until February 3, 2015.

Sincerely,



Simon d'Entremont
Deputy Minister

WE HEREBY ACCEPT THIS AGREEMENT AND AGREE WITH THE TERMS AND CONDITIONS CONTAINED HEREIN THIS ___ DAY OF _____, 2015.

NOVA STAR CRUISES LIMITED

Per: Mark Amundsen
Name: MARK AMUNDSEN
Title: PRESIDENT CEO