

October 10, 2014

PRIVATE AND CONFIDENTIAL

Nova Star Cruises Limited
c/o Mark Amundsen, President & CEO
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 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, in its sole discretion, funding to Nova Star Cruises Limited (the "**Company**") in connection with the operation of the Yarmouth-Portland Ferry (the "**Ferry**"). The agreement of the Province to provide funding will be reviewed on a month to month basis based on the Province's assessment of the continued viability of the Ferry.

The funding, if any, to be provided by the Province under this Agreement 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.

The Company shall, on a timely basis, provide the following information to the Province in a form acceptable to the Province:

1. projected weekly cash flow reports on Monday of each week starting on the date of this letter in a format and on a basis consistent with previous submissions under the Letter of Offer (as defined below) subject to any changes which may be requested by the Province;
2. immediate reporting with respect to any significant variances from projected weekly cash flow amounts;
3. twice weekly reports (Monday and Thursday) with respect to passenger bookings in a format and on a basis consistent with previous submissions under the Letter of Offer subject to any changes which may be requested by the Province;
4. monthly reporting of the number and nature of vehicles per sailing and the origin of passengers and/or vehicles to the extent such information is tracked by the Company;
5. monthly financial statements together with such year to date and budget information as the Province may require;

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6. a monthly report with respect to administrative salaries incurred 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*;
7. copies of the minutes of all board meetings;
8. list of all printed material received from the Nova Scotia Tourism Agency together with the details of the distribution of such materials by day by port;
9. the Company will permit complete access to its books and records to KPMG LLP together with any other advisor appointed by the Province from time to time, who will report to the Province with respect to the financial information provided by the Company;
10. updated financial projections for 2015 and 2016 no later than October 31, 2014;
11. a quarterly report on expenditures incurred and procured divided by geographic area, including but not limited to the following:
 - (a) Nova Scotia;
 - (b) Canada;
 - (c) Maine;
 - (d) United States; and
 - (e) Foreign; and
12. such additional information as the Province, acting reasonably, may request from time to time.

Further:

1. 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.
2. The Company shall comply in all respects with 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 and August 25, 2014 (collectively, the "**Letter of Offer**").

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3. The agreement of the Province to provide funding is subject in all respects to one or more appropriations being approved by the legislature or the Governor in Council of the Province as may be necessary for the Province in relation to any payment hereunder.
4. Any funding provided by the Province under this Agreement is not subject to repayment by the Company.
5. Notwithstanding any other provision of this Agreement, the Province shall be 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 Company which support would include entering into an agreement which provides for a suitable reduction of the charter payments relating to the use of the vessel, the "Nova Star".
6. 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.
7. 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.

Based upon the information provided by the Company and the review conducted by KPMG, the Province will determine, in its sole discretion, the appropriate level of funding, if any, to be provided to the Company within seven (7) days from the start of each month or such other date as may be determined by the Province. Any decision on funding will be based on the financial and other information provided by the Company, including weekly cash flow reports.

This offer of funding may be terminated at any time in the sole discretion of the Province by notice in writing from the Province.

Please signify your acceptance of this offer of funding by signing and returning the duplicate copy of this Agreement. The offer to provide to funding shall remain open for acceptance until October 14, 2014.

Sincerely,


Simon d'Entremont
Deputy Minister



WE HEREBY ACCEPT THIS OFFER OF FUNDING AND AGREE WITH THE TERMS AND
CONDITIONS CONTAINED HEREIN THIS 14th DAY OF OCTOBER, 2014.

NOVA STAR CRUISES LIMITED

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