**MOCK MANAGER'S LETTER OF UNDERTAKING**

To: The Bank

Liberia

From: Ship Management Ltd (the Manager)

Dear Sirs

Mv “THE SHIP”” (the “Ship”)

**1 BACKGROUND**

1.1 You [the Bank] have entered into a Loan Agreement (hereafter referred to as “the Loan Agreement” or the “Loan Facility”) with the Owner dated [date] made between (i) the Owner as borrower and (ii) the Bank and other financial institutions (the Bank) and (iii) yourselves as Security Agent and Security Trustee (also the Bank acting on behalf of all lenders) whereby a facility of up to USD400,000,000 will be made available to the Owner. We have been further advised by the Owner that one of the conditions to the advancement of the Loan Facility is that we enter into this Letter of Undertaking (LOU) in your favour in respect of the Ship which is owned by the Owner.

We currently manager the Ship for the Owner pursuant to a Shipman 98 management agreement (the Management Agreement) dated [date].

**2 INTERPRETATIONS**

2.1 Interpretations and definitions in this LOU will have the same meaning as they do in the Loan Agreement or Loan Facility documents. However, for clarification purposes only, we repeat the following definitions below:

*“Creditor Party”* means the Security Agent, the Security Trustee, any Lender or any Swap Bank whether as at the date of the Loan Agreement or Facility or at any later time;

*“Earnings”* means earnings in relation to the Ship, all moneys whatsoever which are now or later become, payable (actually or contingently) to the Owner which owns the Ship and which arise out of the use or operation of that Ship, including (but not limited to):

(a) all freight, hire and passage moneys, compensation payable to the Owner which owns that Ship in the event of requisition of that Ship for hire, remuneration for salvage and towage services, demurrage and detention moneys and damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of that Ship; and

(b) if and whenever that Ship is employed on terms whereby any moneys falling within paragraph (a) are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing arrangement which is attributable to that Ship;

*“Insurances”*

(a) all policies and contracts of insurance, including entries of that Ship in any protection and indemnity or war risks association, which are effected solely in respect of that Ship; and

(b) all rights and other assets relating to, or derived from, any of the foregoing, including any rights to a return of a premium;”

*“Permitted Credit”* means any credit extended by us to the Owner as described in the Ship Management Agreement ), including, but not limited to our fees, not exceeding an amount in aggregate of US$1,000,000 (United States Dollars One million only); and

*“Requisition Compensation”* includes all compensation or moneys payable by reason of any expropriation, confiscation, requisition or acquisition of the Ship, 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 official authority or by any person or persons claiming to be or to represent a government or official authority (excluding a requisition for hire for a fixed period not exceeding 1 year without any right to an extension) unless it is within 1 month redelivered to the Owner’s full control.

**3 INSURANCE UNDERTAKINGS**

3.1 The Manager, with full title guarantee, hereby irrevocably and unconditionally assign and agree to assign to you all of our rights, title and interest in and to all the benefit of the obligatory insurances;

3.2 We hereby undertake to procure that a duly completed notice in the form set out in Appendix I Part 1 to this LOU is given to all insurers and to procure that such notice is promptly endorsed on all policies and entries in respect of the obligatory Insurances

**4. GENERAL UNDERTAKINGS**

4.1 In consideration of the Bank granting its approval to our continued appointment as manager of the Ship, we irrevocably and unconditionally undertake with you as follows:

(a) that we shall not, without your prior written consent, supplement or amend the Management Agreement;

(b) We shall not, without [the Bank’s] prior written permission extend credit to the Owner, whether in respect of our fees, expenses or other disbursements whether pursuant to the Management Agreement or otherwise except for Permitted Credit”

(c) That all claims of whatever nature which we have or may at any time after the date of this LOU have against or in connection with the Ship, the Earnings, the Insurances or against the Owner shall rank after and be in all respect subordinate to the rights and claims of [the Bank]

(d) We shall not take any step to exercise or enforce any right or remedy which we now or at any later time have under any applicable law against the Owner or the Ship, the Earnings or the Insurances

(e) We will not institute any legal or administrative action or any quasi-legal proceedings under any applicable law against the Ship, the Earnings, the Owner and/or the Insurances

(f) We will, upon the Bank’s first written request, deliver to the Bank all documents of whatever nature which we hold in connection with the Owner, the Ship, the Earnings and the Insurances

(g) The Manager shall continue to act as Manager of the Ship pursuant to the terms of the Management Agreement for as long as the Ship remains in the ownership of the Owner and any part of the Loan Facility remains outstanding to the Bank

(h) The Manager shall not do or omit to do or cause anything to be done or omitted which might be contrary to or incompatible with the obligations undertaken by the Owner under the Loan Facility

(i) Upon notice from the Bank that an Event of Default has occurred (without any requirement by the Manager to verify the same) the Manager shall take the Bank’s instructions for any matters relating to the Ship

**5. GOVERNING LAW AND JURISDICTION**

5.1 *Liberian law*. This Letter of Undertaking and any non-contractual obligations in connection with it shall be governed by and construed in accordance with Liberian law.

5.*2 Exclusive Liberian jurisdiction*. Subject to Clause 6.3 below, the courts of Liberia shall have exclusive jurisdiction in relation to all matters which may arise out of or in connection with this Letter of Undertaking.

5.3 *Choice of forum for the benefit of the Bank*. Choice of forum/jurisdiction is for the benefit of the Bank, which reserves the right to commence proceedings in relation to any matter arising out of or in connection with this LOU in the courts of any country other than Liberia and commence proceedings in the courts of any country or countries concurrently with or in addition to proceedings in Liberia or without commencing proceedings in Liberia

EXECUTED and DELIVERED as a DEED )

by SHIP MANAGEMENT )

LTD )

acting by )

expressly authorised in accordance with )

the laws of Liberia )

such execution being )

witnessed by: )

Signature of witness

We, the Owner, confirm and acknowledge that we have read and understood the terms and conditions of this Letter of Undertaking and agree to the terms of the above letter this [date]

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for and on behalf of for and on behalf of

THE OWNER