

Investment Term Sheet Advisory Report

Ferdocean Shipping AS - US Listing Strategy and Term Sheet Analysis

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Subject: Analysis of \$150M Investment Term Sheet and US Listing Strategy

Executive Summary

Ferdocean Shipping AS has received a significant \$150 million investment term sheet from The Investor Capital LLC, structured as a four-tranche preferred stock investment requiring a US stock exchange listing. This comprehensive analysis reveals both substantial opportunities and critical risks that require immediate attention and strategic negotiation.

Key Findings:

The investment structure offers \$150 million in capital across four \$37.5 million tranches in exchange for 30% equity, but contains several provisions that could significantly impact the company's financial position and operational flexibility. Most critically, the term sheet requires a complete US stock exchange listing before accessing any investment funds, creating substantial upfront costs and timeline pressures that could strain company resources.

Primary Recommendation:

We strongly recommend negotiating for an initial OTC Markets listing (OTCQX) rather than pursuing immediate NYSE or NASDAQ listing. This approach, successfully used by nearly 30 Nordic companies, would provide faster access to investment funds, significantly lower costs, and reduced regulatory complexity while maintaining the company's Norwegian corporate structure initially.

Critical Action Items:

1. Immediate negotiation of listing requirements to allow OTC Markets as initial pathway
2. Clarification of undefined milestone thresholds for Tranches 3 and 4
3. Restructuring of warrant coverage to reduce potential dilution
4. Extension of exercise timeline to provide operational flexibility
5. Implementation of pricing protections to mitigate market volatility risks

Detailed Term Sheet Analysis

Investment Structure Overview

The proposed investment represents a substantial capital commitment that could significantly accelerate Ferdocean Shipping AS's growth trajectory. The Investor Capital LLC has structured a \$150 million investment as Senior Convertible Preferred Stock with comprehensive warrant coverage, representing 30% of the company's fully diluted capitalization post-transaction.

The investment is structured across four equal tranches of \$37.5 million each, with the first two tranches requiring no special milestones beyond the fundamental listing requirement. This front-loaded structure provides immediate access to \$75 million upon successful completion of the US listing process, which could provide substantial working capital for operational expansion and strategic initiatives.

However, the structure becomes more complex with Tranches 3 and 4, which require achievement of undefined revenue and net book value thresholds. This creates uncertainty around access to the final \$75 million and provides the investor with significant leverage in setting performance targets during the definitive agreement negotiations.

Critical Listing Requirements and Timeline Implications

The most significant constraint in the term sheet is the absolute requirement for US stock exchange listing before accessing any investment funds. The document explicitly states that "Only the Company's Common Stock will be required to be a listed and trading security prior to the Company's drawdown of the Investment Amount." This creates a substantial financial and operational challenge that requires immediate strategic planning.

The listing requirement effectively creates a cash flow paradox where Ferocean must invest significant capital in the listing process before receiving any investment proceeds. Based on our research of comparable transactions, the total cost of achieving a major exchange listing (NYSE or NASDAQ) typically ranges from \$500,000 to \$2 million in professional fees, plus ongoing compliance costs of \$1-3 million annually. These costs include legal fees, accounting and audit expenses, investment banking fees, exchange listing fees, and ongoing regulatory compliance infrastructure.

The timeline implications are equally challenging. A traditional IPO process on a major exchange typically requires 5-8 months from initiation to completion, with foreign companies often facing additional complexity due to regulatory coordination between home country and US requirements. During this period, the company must maintain operations and fund the listing process without access to the investment capital, potentially creating working capital constraints.

Pricing Mechanism and Valuation Risks

The term sheet employs a Volume Weighted Average Price (VWAP) mechanism for determining the final share price at the time of each tranche exercise. While this approach provides some market-based validation of valuation, it introduces significant risks that could materially impact the proceeds received by the company.

VWAP pricing is inherently volatile and can be influenced by market conditions, trading volume, and even potential market manipulation. For a newly listed company, particularly one transitioning from private to public markets, trading volumes may be limited and price discovery inefficient, potentially resulting in valuations that do not reflect the company's fundamental value.

The term sheet includes a provision that the share price "shall not exceed the price per converted number of Common Stock of any security or other purchase right that the Company offers to sell, sells, or issues during the Exercise Period." This anti-dilution provision protects the investor but could constrain the company's ability to raise additional capital or issue equity-based compensation during the exercise period.

Additionally, the investor charges approximately 6% per annum on uncommitted capital until drawn, creating a carrying cost that increases over time. This fee structure incentivizes rapid drawdown of tranches but may pressure the company to access capital before optimal timing from an operational perspective.

Warrant Coverage and Dilution Analysis

The term sheet includes "One-to-One Warrant Coverage" exercisable at par value, effectively doubling the potential dilution from the investment. While the preferred stock represents 30% of fully diluted shares, the warrants could result in total dilution approaching 60% if fully exercised.

The warrant structure includes a "blocker provision" limiting the holder to 4.99% beneficial voting interest without 61-day advance notice. While this provides some protection against sudden control changes, it does not limit the economic dilution that could result from warrant exercise.

The warrants are issued "fully paid non assessable" on the Effective Date, meaning they become immediately exercisable rights rather than contingent instruments. This structure provides the investor with significant optionality while creating ongoing dilution risk for existing shareholders.

From a strategic perspective, the warrant coverage significantly increases the investor's potential return while providing downside protection through the preferred stock structure. For Ferocean, this represents a substantial transfer of upside potential that should be carefully evaluated against alternative financing structures.

Corporate Restructuring Requirements

The term sheet contemplates significant corporate restructuring that would fundamentally alter Ferocean's organizational structure. The investor requires that "the Company, its Consolidated Assets, and all related entities and subsidiaries, including each Merger Transaction, shall be organized as wholly owned subsidiaries of the Company with a U.S. Delaware C-corporation as the parent company."

This restructuring requirement has far-reaching implications beyond the immediate investment transaction. Creating a US Delaware parent company would subject Ferocean to US corporate law, potentially alter tax obligations, and require coordination with Norwegian regulatory authorities. The complexity of this restructuring could significantly extend the timeline for completing the transaction and accessing investment funds.

The consolidation of "Consolidated Assets" is broadly defined to include "securities, property, and other assets, including without limitation each parent company, sister company, management company, operating company, holding company, subsidiary, unincorporated business or activity, license, royalty, commission, payment scheme or other valuable consideration." This expansive definition could require restructuring of existing business relationships and contractual arrangements.

The restructuring also contemplates merger transactions in Environmental Services, Oil & Gas Services, and Maritime/Shipping Services, specifically waste management for marine operations. These contemplated acquisitions suggest the investor's strategic vision extends beyond pure financial investment to operational consolidation and market expansion.

CRITICAL UPDATE: Specific Listing Requirements Analysis

Mandatory National Securities Exchange Requirement

Upon detailed review of the term sheet language, the investor has imposed specific and restrictive listing requirements that significantly impact the strategic options available to Ferdocean Shipping AS. The document explicitly states that the company's common stock must be "trading in a liquid market on a national securities exchange (NYSE, NYSE MKT, or any tier of the NASDAQ)" and must "trade freely without restriction."

This requirement eliminates several alternative pathways that could have provided easier and more cost-effective access to US capital markets. Specifically, the term sheet excludes:

- ****OTC Markets (OTCQX/OTCQB)**:** Despite being a proven pathway for nearly 30 Nordic companies, OTC Markets do not qualify as "national securities exchanges" under the term sheet requirements
- ****Alternative Trading Systems (ATS)**:** Electronic trading platforms that are not self-regulatory organizations
- ****Private placement markets**:** Any non-exchange trading venues

Acceptable Exchange Options Under Term Sheet

The term sheet limits acceptable listing venues to three specific categories:

1. New York Stock Exchange (NYSE)

- The most prestigious and expensive option
- Highest listing standards and ongoing compliance costs
- Estimated initial costs: \$200,000-\$500,000+ plus ongoing fees
- Timeline: 6-8 months minimum for foreign companies

2. NYSE American (formerly NYSE MKT)

- Lower-tier NYSE market designed for smaller companies
- More accessible than main NYSE but still substantial requirements

- Estimated initial costs: \$100,000-\$300,000 plus ongoing fees
- Timeline: 4-6 months

3. NASDAQ (any tier)

- NASDAQ Global Select Market (highest tier)
- NASDAQ Global Market (mid-tier)
- NASDAQ Capital Market (lowest tier, most accessible)
- Estimated initial costs: \$100,000-\$400,000 plus ongoing fees
- Timeline: 4-6 months

Revised Strategic Implications

The mandatory national securities exchange requirement fundamentally alters the risk-benefit analysis of this investment opportunity. The company must now prepare for:

Significantly Higher Upfront Costs: Instead of the \$14,000-\$40,000 annual cost of OTC Markets listing, Ferdocean faces initial listing costs of \$100,000-\$500,000 plus ongoing compliance costs of \$1-3 million annually.

Extended Timeline: The listing process will require 4-8 months instead of the 2-4 months possible with OTC Markets, creating extended cash flow pressure before accessing investment funds.

Complex Regulatory Requirements: Full SEC registration and ongoing reporting obligations, including Sarbanes-Oxley compliance, quarterly and annual reporting, and independent audit requirements.

Corporate Governance Standards: Implementation of US public company governance standards, including independent audit committees, compensation committees, and enhanced disclosure requirements.

Recommended Exchange Strategy Given Constraints

Given the term sheet constraints, we recommend targeting the NASDAQ Capital Market as the most practical pathway, with Cboe Global Markets as a strong alternative consideration.

NASDAQ Capital Market Advantages:

- Lowest tier of NASDAQ with most accessible requirements
- Established track record with international companies
- Strong technology platform and market maker support
- Clear regulatory framework and precedents

Cboe Global Markets Advantages:

- More flexible interpretation of listing requirements
- No "burn rate" calculation unlike NASDAQ
- Simultaneous reverse split capability
- More accommodating to anchor investors
- Potentially faster approval process

Critical Success Factors:

- Immediate engagement with exchange listing specialists
- Comprehensive financial and legal due diligence preparation
- Coordination with Norwegian regulatory authorities
- Development of US investor relations capabilities
- Implementation of US public company infrastructure

The elimination of OTC Markets as an option significantly increases both the complexity and cost of accessing the investment funds, requiring careful evaluation of whether the investment terms justify these substantial upfront commitments.

Final Recommendations and Action Plan

Immediate Actions Required (Next 7-14 Days)

1. Term Sheet Response Strategy

Given the 15-day expiration from July 11, 2025, immediate action is required. We recommend responding with a letter of intent to proceed while requesting specific modifications to key terms during the definitive agreement phase.

2. Exchange Selection and Preliminary Engagement

Begin immediate discussions with NASDAQ Capital Market and Cboe Global Markets listing specialists to understand specific requirements, timelines, and costs for Ferdocean's situation as a Norwegian shipping company.

3. Professional Team Assembly

Engage experienced US securities counsel, preferably with Nordic company experience, and begin selection of US-qualified auditors familiar with shipping industry and Norwegian GAAP to US GAAP conversion requirements.

Key Negotiation Priorities

1. Listing Requirement Modification

While the term sheet specifies national securities exchange requirements, negotiate for:

- Extended timeline for listing completion (6-9 months instead of immediate requirement)
- Partial funding release upon filing of registration statement rather than completed listing
- Alternative valuation mechanism if listing is delayed due to market conditions

2. Warrant Coverage Reduction

The 100% warrant coverage represents excessive dilution risk. Negotiate for:

- Reduced warrant coverage (50-75% instead of 100%)
- Performance-based warrant vesting tied to operational milestones
- Extended exercise periods to reduce immediate dilution pressure

3. Milestone Clarification

Demand specific, measurable criteria for Tranches 3 and 4, including:

- Revenue thresholds based on industry benchmarks
- Net book value calculations with clear accounting standards
- Force majeure provisions for market disruption events

4. Pricing Protection

Request additional pricing safeguards:

- Minimum price floor based on recent private valuations
- Collar mechanism to limit VWAP volatility impact
- Anti-manipulation provisions for thinly traded periods

Risk Mitigation Strategies

1. Cash Flow Management

Develop detailed cash flow projections including listing costs, ongoing compliance expenses, and operational requirements during the 4-8 month listing process. Consider bridge financing or credit facilities to manage working capital during this period.

2. Regulatory Coordination

Engage with Norwegian regulatory authorities early to understand implications of US parent company structure and ensure compliance with Norwegian maritime and corporate regulations.

3. Market Timing Considerations

Monitor US equity market conditions and shipping sector performance to optimize timing of listing and tranche exercises. Consider market volatility impact on VWAP pricing mechanism.

Alternative Scenarios

Scenario 1: Successful Negotiation and Listing

If terms are successfully modified and listing completed, the investment provides substantial growth capital with manageable dilution and compliance costs.

Scenario 2: Terms Remain Unfavorable

If investor refuses key modifications, consider alternative financing sources including:

- Norwegian institutional investors
- European shipping-focused private equity
- Strategic partnerships with larger shipping companies
- Traditional bank financing or maritime-focused lenders

Scenario 3: Listing Process Delays

If listing encounters unexpected delays, ensure definitive agreements include:

- Extended exercise periods
- Alternative funding mechanisms
- Penalty provisions for investor if delays are market-related

Long-Term Strategic Considerations

1. Post-Listing Growth Strategy

Develop clear plans for utilizing investment proceeds, including:

- Fleet expansion and modernization
- Geographic market expansion
- Technology and environmental compliance investments
- Strategic acquisitions in target sectors

2. Investor Relations Development

Build US investor relations capabilities including:

- Quarterly earnings calls and investor presentations
- US maritime industry conference participation
- Analyst coverage development
- ESG reporting aligned with US investor expectations

3. Exit Strategy Planning

Consider long-term liquidity options for existing shareholders:

- Secondary offering possibilities post-listing
- Strategic buyer interest in consolidated entity
- Management buyout scenarios if public markets prove challenging

Conclusion

The \$150 million investment opportunity represents a significant growth catalyst for Ferocean Shipping AS, but the terms require careful negotiation and strategic planning to maximize benefits while minimizing risks. The mandatory national securities exchange listing requirement significantly increases complexity and costs compared to alternative pathways, but successful execution could position the company as a leading US-listed Norwegian shipping enterprise.

The key to success lies in immediate action on term sheet negotiations, professional team assembly, and exchange engagement while maintaining focus on operational excellence during the transition process. With proper planning and execution, this investment could provide the capital foundation for substantial growth in the global shipping markets.

Recommended Decision Timeline:

- Days 1-7: Term sheet response and negotiation initiation
- Days 8-30: Professional team assembly and exchange preliminary discussions
- Days 31-60: Definitive agreement negotiations
- Days 61-240: Listing process execution and completion
- Days 241+: Tranche exercise and growth strategy implementation

The complexity of this transaction requires experienced professional guidance throughout the process, but the potential rewards justify the investment in proper execution.

CRITICAL MISSING PROVISIONS ANALYSIS

PROVISION 1: 9% PER ANNUM DIVIDEND - MAJOR FINANCIAL BURDEN

Term Sheet Language:

> "Senior Convertible Preferred Stock... which will have specified voting rights, a 9.00% per annum dividend, dilution protection (e.g. against down rounds), and other customary covenants"

Critical Financial Impact:

The 9% per annum dividend on the preferred stock represents a massive ongoing financial obligation that was not adequately addressed in the initial analysis. This dividend creates an annual cash drain of \$13.5 million once the full \$150 million is invested, representing one of the most expensive aspects of this term sheet.

Annual Dividend Obligations by Tranche:

- Tranche 1 (\$37.5M): \$3.375 million annual dividend
- Tranche 2 (\$75M total): \$6.75 million annual dividend
- Tranche 3 (\$112.5M total): \$10.125 million annual dividend
- Tranche 4 (\$150M total): \$13.5 million annual dividend

Cumulative Dividend Impact:

Assuming the company accesses all tranches over 18 months and holds the investment for 5 years before exit, the total dividend payments would be approximately \$56.25 million. This represents 37.5% of the total investment amount paid as dividends alone, before any return of principal or equity appreciation.

Cash Flow Implications:

For a maritime services company with typical EBITDA margins of 15-25%, generating \$13.5 million in annual dividend payments requires approximately \$54-90 million in additional annual revenue. This creates enormous pressure on the business to achieve rapid growth just to service the dividend obligations, potentially forcing suboptimal business decisions or unsustainable leverage.

Comparison to Market Standards:

Typical preferred stock dividends in growth capital transactions range from 6-8% annually. The 9% dividend rate represents the high end of market standards and, combined with the 30% equity stake and 100% warrant coverage, creates an exceptionally expensive capital structure that heavily favors the investor.

Strategic Implications:

The high dividend rate may force the company to prioritize short-term cash generation over long-term strategic investments, potentially impairing competitive position and growth prospects. The dividend obligation also reduces financial flexibility during economic downturns or industry cycles, when cash preservation becomes critical.

PROVISION 2: 6% ANNUAL COMMITMENT FEE - ADDITIONAL COST BURDEN

Term Sheet Language:

> "There will be a charge of approximately 6% per annum, not compounded, for the Capital Commitment until drawn"

Hidden Cost Analysis:

The 6% annual commitment fee on undrawn capital creates additional costs that compound the already expensive structure. This fee applies to the entire \$150 million commitment from the effective date until each tranche is drawn, creating substantial additional costs even before accessing the capital.

Commitment Fee Calculations:

Assuming an 18-month timeline to access all tranches:

- Year 1: 6% on \$150M = \$9 million commitment fee
- Year 2: 6% on remaining undrawn amounts (average \$75M) = \$4.5 million
- Total commitment fees: Approximately \$13.5 million

Combined Cost Impact:

The combination of 9% dividends and 6% commitment fees creates an effective cost of capital approaching 15% annually, making this one of the most expensive growth capital structures in the market. For comparison, traditional bank debt typically costs 8-12% annually with no equity dilution.

Cash Flow Timing Mismatch:

The commitment fee creates immediate cash outflows before any capital is received, exacerbating the working capital challenges that the investment is supposed to solve. This timing mismatch could force the company to seek bridge financing or delay critical business investments while paying fees on uncommitted capital.

PROVISION 3: PUT/CALL RIGHTS - COMPLEX CONTROL MECHANISMS

Term Sheet Language:

> "The Company shall have a put right which when exercised requires Investor to purchase the Preferred Stock, and the Investor shall have a call right which when exercised allows Investor to purchase the Preferred Stock"

Put Right Analysis:

The company's put right allows forcing the investor to purchase preferred stock, but only after completing a public listing and only for a 3-year period. This creates a narrow window for accessing capital and places enormous pressure on achieving listing within the specified timeframe.

Put Right Limitations:

- Only exercisable after public listing completion
- Limited to 3-year exercise period
- Subject to VWAP pricing which could be volatile
- No protection against adverse market conditions during exercise

Call Right Analysis:

The investor's call right allows them to force the purchase of preferred stock starting 1 year after public listing or 3 years after the effective date. This creates potential timing conflicts where the investor could force capital deployment when market conditions or company circumstances are unfavorable.

Call Right Risks:

- Investor controls timing of capital deployment after initial period
- Could force investment during unfavorable market conditions
- May conflict with company's strategic timing preferences
- Creates uncertainty for long-term capital planning

Strategic Control Implications:

The PUT/CALL structure effectively gives the investor significant control over the timing and conditions of capital deployment, reducing the company's strategic flexibility and potentially forcing suboptimal timing decisions based on market conditions rather than business needs.

PROVISION 4: PRE-DRAWDOWN COST ANALYSIS - SUBSTANTIAL UPFRONT INVESTMENTS

Comprehensive Cost Breakdown:

Immediate Costs (Before Any Capital Access):

- Transaction Expense (non-refundable): \$175,000
- Legal fees for definitive agreements: \$200,000-\$400,000
- Accounting and audit preparation: \$150,000-\$250,000

- Corporate restructuring (Delaware C-Corp): \$100,000-\$200,000
- **Subtotal: \$625,000-\$1,025,000**

Listing Preparation Costs:

- Securities counsel fees: \$300,000-\$500,000
- Investment banking fees: \$200,000-\$400,000
- Accounting and audit for public company: \$200,000-\$350,000
- Exchange listing fees and expenses: \$100,000-\$150,000
- **Subtotal: \$800,000-\$1,400,000**

Management Build-Up Costs:

The term sheet implies significant management infrastructure requirements for a public company structure, including:

- Chief Financial Officer (public company qualified): \$300,000-\$500,000 annually
- General Counsel or Chief Legal Officer: \$250,000-\$400,000 annually
- Investor Relations Officer: \$150,000-\$250,000 annually
- Additional accounting and finance staff: \$200,000-\$300,000 annually
- Board of directors compensation: \$100,000-\$200,000 annually
- **Annual management costs: \$1,000,000-\$1,650,000**

Technology and Systems Upgrades:

- Financial reporting systems upgrade: \$200,000-\$400,000
- Compliance and governance software: \$100,000-\$200,000
- Investor relations and communication systems: \$50,000-\$100,000
- **Technology costs: \$350,000-\$700,000**

Total Pre-Drawdown Investment Required:

- Immediate costs: \$625,000-\$1,025,000
- Listing costs: \$800,000-\$1,400,000
- First-year management: \$1,000,000-\$1,650,000
- Technology systems: \$350,000-\$700,000
- **Total: \$2,775,000-\$4,775,000**

Cash Flow Impact:

The company must invest \$2.8-4.8 million before accessing any investment capital, creating a substantial working capital burden that could impair operations and require bridge financing or delay critical business investments.

PROVISION 5: EXISTING INVESTOR IMPLICATIONS - LOCK-UP AND DILUTION

Consolidated Assets Requirement:

The term sheet requires that "each of the Consolidated Assets [become] wholly owned and controlled by the Company" at no additional cost to the investor. This provision has significant implications for existing investors and stakeholders.

Existing Investor Lock-Up:

While not explicitly stated, the consolidated assets requirement and corporate restructuring effectively create a lock-up period for existing investors, who cannot exit their positions until the complex restructuring and listing process is completed. This could extend 12-24 months, during which existing investors have no liquidity options.

Dilution Impact on Existing Investors:

The 30% preferred stock plus 100% warrant coverage creates potential dilution of up to 60% for existing shareholders. For a company with current shareholders holding 100% of equity, the post-investment ownership could be:

Scenario 1 (Preferred Stock Only):

- Existing shareholders: 70%
- New investor: 30%

Scenario 2 (Full Warrant Exercise):

- Existing shareholders: 40%
- New investor: 60%

Value Transfer Analysis:

If the company achieves a \$500 million valuation at exit, the difference between scenarios represents a \$100 million value transfer from existing shareholders to the new investor through warrant exercise.

Existing Investor Rights:

The term sheet provides no specific protections for existing investors, no anti-dilution rights, and no participation rights in future financing rounds. This creates a subordinated position for existing stakeholders who bear the execution risk but receive limited upside protection.

PROVISION 6: UNBALANCED TERM SHEET ASSESSMENT

Investor Protections vs. Company Benefits:

This term sheet is heavily skewed in favor of the investor, with multiple layers of protection and upside participation while placing substantial execution risk and cost burden on the company and existing shareholders.

Investor Advantages:

- 9% annual dividend providing guaranteed returns
- 30% equity stake with potential 60% through warrants
- Senior liquidation preference
- Control over capital deployment timing through PUT/CALL rights
- Asset security and guarantees
- Minimal execution risk (company must complete listing first)

Company Disadvantages:

- \$2.8-4.8 million upfront costs before capital access
- \$13.5 million annual dividend obligations at full deployment
- Forced public listing timeline with execution risk
- Potential 60% dilution for existing shareholders
- Limited strategic flexibility due to PUT/CALL structure

- No protection against adverse market timing

Risk-Reward Imbalance:

The company bears 100% of the execution risk, timing risk, and market risk while providing the investor with multiple layers of protection and guaranteed returns. This structure is more typical of distressed debt financing than growth equity investment.

COMPREHENSIVE ADDITIONAL RISK ANALYSIS

REGULATORY AND COMPLIANCE RISKS

Norwegian Maritime Regulatory Compliance:

As a Norwegian maritime services company, FerdOcean operates under specific regulatory frameworks that could be impacted by the proposed corporate restructuring and US listing requirements. Norwegian maritime regulations include vessel ownership requirements, operational licensing, and environmental compliance standards that may conflict with US parent company structure.

The requirement to reorganize under a US Delaware C-corporation could trigger regulatory reviews or approvals from Norwegian maritime authorities, potentially delaying implementation or requiring operational modifications that could impact business continuity and customer relationships.

US Securities Regulatory Risks:

The transition to US public company status subjects FerdOcean to SEC reporting requirements, Sarbanes-Oxley compliance, and ongoing regulatory oversight that creates substantial compliance costs and operational constraints. Non-compliance with these requirements could result in delisting, regulatory penalties, or legal liability for management.

The complexity of maintaining dual regulatory compliance (Norwegian operational regulations and US securities regulations) creates ongoing operational burden and potential

conflicts between regulatory requirements that could impact business operations and strategic flexibility.

Environmental and Safety Regulatory Exposure:

Maritime operations are subject to extensive environmental and safety regulations that could create significant liability exposure for a US public company. Environmental incidents, safety violations, or regulatory changes could result in substantial financial penalties, operational restrictions, or reputational damage that impacts stock price and investor confidence.

The increased visibility and liability exposure of public company status could make environmental and safety incidents more costly and damaging than for private companies, creating additional operational risk and potential financial exposure.

OPERATIONAL AND STRATEGIC RISKS

Management Distraction and Resource Allocation:

The complex listing process, ongoing public company compliance, and investor relations requirements will consume substantial management time and attention that could otherwise be focused on business operations and growth initiatives. This management distraction could impact operational performance during a critical growth period.

The requirement to build public company management infrastructure (CFO, legal counsel, investor relations) represents a significant fixed cost increase that may not be justified by the business scale or growth trajectory, potentially impairing operational efficiency and profitability.

Customer and Supplier Relationship Risks:

The transition to US public company status and complex corporate restructuring could create uncertainty among key customers and suppliers who may be concerned about business continuity, operational changes, or strategic direction shifts. This uncertainty could impact contract renewals, pricing negotiations, or strategic partnerships.

Public company disclosure requirements could expose sensitive business information, customer relationships, or strategic plans to competitors, potentially impairing competitive position and business development opportunities.

Competitive Position and Market Dynamics:

The substantial capital requirements for listing and compliance could divert resources from competitive investments in technology, equipment, or market expansion, potentially allowing competitors to gain market share or technological advantages during the transition period.

The public company structure and disclosure requirements could limit strategic flexibility and responsiveness to market changes, as strategic decisions may require board approval, regulatory compliance, or public disclosure that could alert competitors or impact market position.

FINANCIAL AND MARKET RISKS

Interest Rate and Credit Market Exposure:

The 9% dividend rate is fixed, but if interest rates decline significantly, the company will be paying above-market rates for capital. Conversely, if credit markets tighten, the company may struggle to refinance or access additional capital at reasonable rates, creating financial stress and potential liquidity challenges.

The substantial dividend obligations could limit the company's ability to access traditional debt financing, as lenders may view the dividend payments as competing claims on cash flow that reduce debt service capacity and increase credit risk.

Currency and International Exposure:

As a Norwegian company with US investors and potential US listing, Ferocean faces currency exposure between Norwegian Kroner, US Dollars, and potentially other currencies in its operations. Currency fluctuations could impact the real cost of the US dollar-denominated dividend payments and create additional financial volatility.

International operations and cross-border corporate structure create additional complexity for tax planning, transfer pricing, and regulatory compliance that could result in unexpected costs or operational constraints.

Market Volatility and Liquidity Risks:

The VWAP pricing mechanism for investment tranches creates exposure to short-term market volatility that could significantly impact the proceeds received from each tranche. Market downturns, sector-specific concerns, or company-specific issues could reduce investment proceeds below expectations.

Small-cap maritime stocks typically have limited liquidity and high volatility, which could make the VWAP pricing mechanism particularly problematic and result in pricing that does not reflect fundamental value or long-term prospects.

GOVERNANCE AND CONTROL RISKS

Board Composition and Independence:

While the term sheet does not specify board composition requirements, public company status typically requires independent directors and audit committee independence that could limit management control and strategic flexibility. The investor may also seek board representation that could create governance conflicts or strategic disagreements.

The transition from private company governance to public company requirements represents a significant change in decision-making processes, disclosure obligations, and fiduciary responsibilities that could impact operational efficiency and strategic agility.

Shareholder Rights and Activist Risk:

Public company status exposes FerdOcean to potential activist investors or hostile takeover attempts that could disrupt business operations, force strategic changes, or result in management changes that impact business continuity and performance.

The preferred stock structure and warrant coverage could create complex shareholder dynamics and potential conflicts between different classes of shareholders that could impact governance effectiveness and strategic decision-making.

Disclosure and Transparency Obligations:

Public company disclosure requirements could expose sensitive business information, strategic plans, or competitive advantages to competitors, customers, or suppliers in ways that could impact business relationships or competitive position.

The ongoing disclosure obligations and investor relations requirements create additional operational burden and potential legal liability for management if disclosures are inadequate, inaccurate, or untimely.

EXECUTION AND IMPLEMENTATION RISKS

Timeline and Coordination Complexity:

The requirement to coordinate Norwegian corporate law, US securities regulations, exchange listing requirements, and investor agreement terms creates substantial execution complexity that could result in delays, additional costs, or implementation failures that impact the entire transaction.

The compressed timeline for listing completion (required before accessing any capital) creates execution pressure that could result in suboptimal decisions, inadequate preparation, or regulatory compliance issues that could delay or prevent successful implementation.

Professional Service Provider Risks:

The complex international transaction requires coordination among Norwegian legal counsel, US securities lawyers, international accounting firms, and investment bankers. Coordination failures, professional errors, or service provider conflicts could result in implementation delays, additional costs, or transaction failure.

The specialized nature of the transaction may limit the availability of qualified service providers, potentially increasing costs or creating execution risks if key advisors are not available or adequately experienced with similar transactions.

Technology and Systems Integration:

The transition to US public company reporting and compliance systems requires significant technology upgrades and systems integration that could create operational disruption, data security risks, or compliance failures if not properly implemented and tested.

The requirement to maintain dual reporting systems (Norwegian operational reporting and US public company reporting) creates ongoing operational complexity and potential for errors or inconsistencies that could impact regulatory compliance or investor confidence.

STRATEGIC ALTERNATIVE ANALYSIS

Alternative Financing Options:

Before accepting this term sheet, the board should consider alternative financing options including traditional bank debt, private equity investment, strategic partnerships, or alternative capital market approaches that might provide capital at lower cost or with better terms.

European capital markets may offer more favorable terms for a Norwegian maritime company, including lower cost of capital, better understanding of the business model, and reduced regulatory complexity compared to US public markets.

Timing and Market Condition Considerations:

Current market conditions for small-cap IPOs and maritime industry investments should be carefully evaluated to determine if this is optimal timing for public market access or if delaying the transaction might result in better terms or market conditions.

The cyclical nature of maritime markets and current industry conditions should be considered in evaluating whether the substantial fixed costs and obligations of this structure are appropriate for the current business environment and growth prospects.

Strategic Partnership Alternatives:

Rather than financial investment, strategic partnerships with larger maritime companies, technology providers, or customer organizations might provide capital, operational benefits, and market access with less dilution and complexity than the proposed structure.

Joint ventures, strategic alliances, or acquisition opportunities might provide better strategic outcomes with less financial cost and execution risk than the proposed investment structure.

This comprehensive risk analysis reveals that the proposed term sheet creates substantial financial obligations, execution risks, and strategic constraints that may not be justified by the capital provided. The board and shareholders should carefully consider these risks and explore alternative approaches before proceeding with this transaction.