

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **001-35898**

**LINDBLAD EXPEDITIONS HOLDINGS, INC.**  
(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**27-4749725**

(I.R.S. Employer  
Identification Number)

**96 Morton Street, 9th Floor, New York, New York**

(Address of Principal Executive Offices)

**10014**

(Zip Code)

**(212) 261-9000**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

Common Stock, par value \$0.0001 per share

The NASDAQ Stock Market LLC

Warrants, each to purchase one share of Common Stock at an exercise price of  
\$11.50

The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

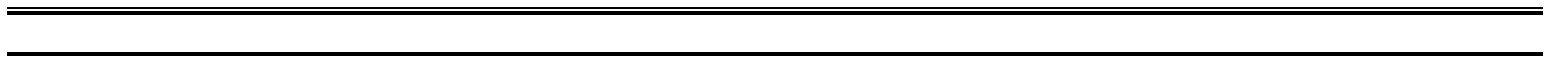
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of June 30, 2017 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the common stock held by non-affiliates of the registrant was approximately \$229.0 million based on the closing sales price of \$10.50 on the NASDAQ Capital Market.

As of February 26, 2018, there were 45,772,845 shares of the registrant's common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the registrant's Definitive Proxy Statement relating to its 2018 Annual Meeting of Shareholders are incorporated by reference in Part III, Items 10-14 of this Annual Report on Form 10-K as indicated herein.



**LINDBLAD EXPEDITIONS HOLDINGS, INC.**  
**Annual Report on Form 10-K**  
**For the year ended December 31, 2017**

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## PART I

### Cautionary Note Regarding Forward-Looking Statements

Any statements in this Annual Report on Form 10-K (the “Form 10-K”) about our expectations, beliefs, plans, objectives, prospects, financial condition, assumptions or future events or performance are not historical facts and are “forward-looking statements” as that term is defined under the federal securities laws. These statements are often, but not always, made through the use of words or phrases such as “believe,” “anticipate,” “should,” “intend,” “plan,” “will,” “expects,” “estimates,” “projects,” “positioned,” “strategy,” “outlook” and similar words. You should read the statements that contain these types of words carefully. Such forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from what is expressed or implied in such forward-looking statements. There may be events in the future that we are not able to predict accurately or over which we have no control. Potential risks and uncertainties include, but are not limited to:

- general economic conditions;
- unscheduled disruptions in our business due to weather events, mechanical failures, or other events;
- changes adversely affecting the business in which we are engaged;
- management of our growth and our ability to execute on our planned growth;
- our business strategy and plans;
- compliance with laws and regulations,
- compliance with the financial and/or operating covenants in our Second Amended & Restated Credit Agreement (“Restated Credit Agreement”);
- adverse publicity regarding the cruise industry in general;
- loss of business due to competition;
- the result of future financing efforts;
- delays and costs overruns with respect to the construction and delivery of newly constructed vessels;
- the inability to meet revenue and Adjusted EBITDA projections; and
- those risks discussed in Item 1A. Risk Factors.

We urge you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. We do not undertake any obligation to release publicly any revisions to such forward-looking statements to reflect events or uncertainties after the date hereof or to reflect the occurrence of unanticipated events.

Unless the context otherwise requires, in this Form 10-K, “Company,” “Lindblad,” “we,” “us,” “our,” and “ours” refer to Lindblad Expeditions Holdings, Inc., and its subsidiaries.

### Item 1. Business

#### Overview

Lindblad provides expedition cruising and adventure travel experiences using itineraries that feature up-close encounters with wildlife, nature, history and culture, and promote guest empowerment and interactivity. Our mission is to offer life-changing adventures on all seven continents and pioneer innovative ways to allow our guests to connect with exotic and remote places. Our expedition ships, which consist of seven owned vessels and five seasonal charter vessels, are customized, nimble and intimately-scaled vessels that are able to venture where larger cruise ships cannot, thus allowing us to offer up-close experiences in the planet’s wild and remote places and capitals of culture. Many of these expeditions involve travel to remote places with limited infrastructure and ports (such as Antarctica and the Arctic), including places that are best accessed by a ship (such as the Galápagos, Alaska, Baja’s Sea of Cortez, Costa Rica and Panama), and foster active engagement by guests. Each expedition ship is designed to be comfortable and inviting, while being fully equipped with state-of-the-art tools for in-depth exploration. In addition to our sea-based expeditions, we offer land-based, eco-conscious expeditions from Antarctica to Zambia primarily through our ownership of Natural Habitat, Inc. (“Natural Habitat”).

We have a longstanding relationship with the National Geographic Society, which was founded in 2004 on a shared interest in exploration, research, technology and conservation. This relationship includes co-selling, co-marketing and branding arrangements with National Geographic Partners, LLC (“National Geographic”) whereby our owned vessels carry the National Geographic name and National Geographic sells our expeditions through their internal travel divisions. We collaborate with National Geographic on expedition planning to enhance the guest experience by having National Geographic experts, including photographers, writers, marine biologists, naturalists, field researchers and film crews, join our expeditions. Guests have the ability to interface with these experts through lectures, excursions, dining and other experiences throughout their expedition.

Our offerings appeal to a wide range of travelers, both individuals and families, with affluent individuals in the U.S. aged 50 years or older representing our largest demographic category. The quality of our offerings has enabled us to achieve and maintain premium pricing in the market instead of pursuing the type of discounting in which most large cruise lines that are focused on the broader market engage. Our product offering, value proposition and differentiated pricing approach enable us to achieve high net yields and occupancy rates.

Our business benefits from significant visibility into future revenues, as our guests generally plan and book their voyages far in advance of their departure dates. As of February 26, 2018, 90% of the Lindblad segment’s expected guest ticket revenues for 2018 have been booked.

We choose to visit geographic areas based upon many factors, including weather, marine conditions, migration patterns and various natural phenomena. In the northern hemisphere summer months, we primarily visit the High Arctic regions of the world, the Canadian Maritimes, Europe, the South Pacific and Alaska. In the northern hemisphere winter months, we primarily travel to Antarctica, South America, Costa Rica, Baja California and the Caribbean. The Galápagos Islands are a year-round destination offering a diverse variety of marine, land and airborne wildlife.

## **Lindblad Expeditions, Ships and Voyages**

### ***Itineraries***

Currently we operate a fleet of seven vessels owned and five chartered ships to provide our signature marine-based adventures to over 40 destinations on seven continents of the world. We have extensive experience operating in the Galápagos Islands, Alaska, Antarctica and the Arctic, with the Lindblad family having been among the first to bring non-scientist travelers to these regions. We currently operate two vessels in the Galápagos, providing week-long itineraries throughout the year. We operate two polar vessels that serve in Antarctica during the northern hemisphere winter, in the Arctic during the northern hemisphere summer and various destinations during the intermediate months, offering itineraries that last from five to 24 days. We also operate three ships in Alaska during the summer months that travel south along the U.S. coastline to the Sea of Cortez and to Belize, Guatemala, Costa Rica and Panama for the winter. In addition, we charter five vessels for seasonal itineraries in the Amazon, Scotland, the Caribbean, the Mediterranean, Cuba, Cambodia and Vietnam.

We place a strong focus on innovation, which we seek to achieve by introducing new expedition options and continuously making improvements to our fleet and voyage experiences as new technology or operating procedures are developed. We make deployment decisions with the goal of optimizing the overall profitability of our portfolio, with these decisions generally made 18 to 24 months in advance. We have operated above 87% occupancy rate for each of the years ended December 31, 2017, 2016 and 2015, indicating strong consumer interest in our offerings. Adding new capacity will allow us to expand our inventory of existing itineraries and expand into new markets and destinations. The following table presents summary information concerning the ships we currently operate and their geographic areas of operation based on 2017 itineraries :

<b>Vessel Name</b>	<b>Date Built</b>	<b>Guest Capacity</b>	<b>Cabins</b>	<b>Primary Areas of Operation</b>	<b>Flag</b>
<i>National Geographic Endeavour II</i>	2005, renovated in 2016	95	50	Galápagos	Ecuador
<i>National Geographic Explorer</i>	1982, rebuilt in 2008	148	81	Arctic, Antarctica, Europe, British Isles, Canada, Patagonia, South America and Transatlantic	Bahamas
<i>National Geographic Islander</i>	1995	47	24	Galápagos	Ecuador
<i>National Geographic Orion</i>	2003	102	53	Antarctica, Europe, South America and Arctic	Bahamas
<i>National Geographic Quest</i>	2017	96	50	Alaska, Canada, Pacific Northwest, Costa Rica, Panama	U.S.A.
<i>National Geographic Sea Bird</i>	1981	62	31	Alaska, Baja California and Pacific Northwest	U.S.A.
<i>National Geographic Sea Lion</i>	1982	62	31	Alaska, Costa Rica, Panama, Baja California and Pacific Northwest	U.S.A.
<i>Delfin II*</i>	2009	28	14	Amazon	Peru
<i>Harmony V*</i>	2004	44	23	Cuba	Greece
<i>Jahan*</i>	2011	48	24	Vietnam and Cambodia	Vietnam
<i>Lord of the Glens*</i>	1985, renovated in 2016	48	26	Scotland	UK
<i>Sea Cloud*</i>	1931, rebuilt in 1979, renovated in 2011	58	28	Caribbean and Mediterranean	Malta

\* Chartered Vessel

The following table presents summary information concerning the two new passenger cruise vessels under construction.

<b>Vessel Name</b>	<b>Expected Launch Date</b>	<b>Guest Capacity</b>	<b>Cabins</b>	<b>Primary Areas of Operation</b>	<b>Flag</b>
<i>National Geographic Venture</i>	December 2018	96	50	West Coast North America and Central America	U.S.A.
Polar Ice Class Vessel	January 2020	126	69		Bahamas

## **Owned Vessels**

**National Geographic Endeavour II** operates in the Galápagos. The *National Geographic Endeavour II* joined the fleet in the second quarter of 2016 and, following a significant renovation, deployed during the fourth quarter of 2016. The *National Geographic Endeavour II* accommodates 95 guests in 50 cabins and offers public areas designed for maximum viewing of nature and wildlife.

**National Geographic Explorer** joined the fleet in 2008 as our ultimate expedition ship. The *National Geographic Explorer* is equipped with an ice-strengthened hull, advanced navigation equipment for polar expeditions and a well-appointed interior with multiple interior and exterior locations specifically designed for observing wildlife and the natural environment. Accordingly, the *National Geographic Explorer* is equipped to visit some of the most remote and extreme areas on the planet. The *National Geographic Explorer* accommodates 148 guests in 81 cabins, including 13 cabins with private balconies and six suites. The *National Geographic Explorer* is spacious and modern, with a variety of public areas that offer views of the passing landscape, including a window-lined library and observation lounge located at the top of the ship, several observation decks and a forward-facing chart room.

**National Geographic Islander** is a twin-hulled, yacht-scale ship designed for active exploration. The *National Geographic Islander* sails year-round in the Galápagos, which it is ideally suited for as its trim design and maneuvering abilities enable it to visit areas larger vessels cannot, allowing guests to experience the islands from a more up-close perspective. The *National Geographic Islander* accommodates 47 guests in 24 outside cabins, including two suites. On board there are open decks that are complete with hammocks as well as a large dining room and large lounges that form part of the social hub of the ship.

**National Geographic Orion** joined the fleet in 2013. The *National Geographic Orion* is a blue water, ice class vessel, equipped with advanced technology, including large retractable stabilizers, sonar, radar and an ice-strengthened hull, which operates in the Arctic, Antarctic, Patagonia and the South Pacific. A shallow draft as well as bow and stern thrusters allow for maneuvering close to shore. The *National Geographic Orion* accommodates 102 guests in 53 cabins, including several with balconies and a variety of public spaces that offer panoramic views of the passing landscape. The public rooms include a window-lined main lounge, as well as an observation lounge and library at the top of the ship, with numerous observation decks.

**National Geographic Quest** operates in the Alaska, the Pacific Northwest and Central America. The *National Geographic Quest* is a new vessel, which joined the fleet during the third quarter of 2017. The vessel was built in the United States to meet the precise needs of our unique expeditions. The ship features the latest satellite communication and navigation technology, designed with superior viewing experiences from the decks and common areas, and is equipped with reinforced Zodiacs. The *National Geographic Quest* has a shallow draft and small size and can reach places inaccessible to larger ships. The vessel accommodates 96 guests in 50 cabins.

**National Geographic Sea Bird** is the twin ship of the *National Geographic Sea Lion* and offers expedition cruises in Alaska, the Pacific Northwest, Baja California and the Sea of Cortez. The *National Geographic Sea Bird* has a shallow draft and small size and can reach places inaccessible to larger ships. The *National Geographic Sea Bird* accommodates 62 guests in 31 outside cabins and has an open bow that provides for shared wildlife viewing experiences.

**National Geographic Sea Lion** is the twin ship of the *National Geographic Sea Bird* and operates in Alaska, the Pacific Northwest, Baja California, the Sea of Cortez, Costa Rica and Panama. The *National Geographic Sea Lion* has a shallow draft and a small size so that it can reach places inaccessible to larger ships. The *National Geographic Sea Lion* accommodates 62 guests in 31 outside cabins and has an open bow that provides for shared wildlife viewing experiences.

## **Chartered Vessels**

**Delfin II** is a riverboat built to explore the Peruvian Amazon. The *Delfin II* accommodates 28 guests in 10 suites and four master suites. The entire third deck is open-air, offering a view of the river and the rainforest. The ship is purpose built to serve the waterways of the Amazon and the ship is decorated with handicrafts from the ribereños, indigenous people of the native wildlife preserves.

**Jahan** is a riverboat built in 2011 for exploring Vietnam and Cambodia. The *Jahan* accommodates 48 guests in 24 cabins, including two suites. Every cabin has a private balcony and the suites each have a private Jacuzzi. *Jahan* has four decks and has several public areas where the expedition community can gather to watch life along the riverbank. The public spaces include a covered, open-air observatory, open bow and a pool on the top deck.

**Lord of the Glens** is specifically sized to be able to sail through the Caledonian Canal in Scotland, which connects the North Sea to the Atlantic and can navigate the coastline and venture to the islands of the Inner Hebrides. The *Lord of the Glens* accommodates 48 guests in 26 outside cabins.

*Harmony V* is an expedition vessel used for exploration of the southern coastline and islands of Cuba. It can accommodate 44 guests in 23 outside cabins. The ship is fully air-conditioned, has a Sun Deck with an al fresco area that can also be enclosed and used as a venue for presentations and recaps. The ship is equipped with stabilizers and satellite communications.

*Sea Cloud* offers the experience of sailing aboard a fully-rigged ship in the Caribbean and Mediterranean and accommodates 58 guests in 28 outside cabins, including two original owner's suites that still feature original marble baths and fireplaces. The *Sea Cloud* has extensive public spaces on the top deck, a dining room that can accommodate all guests at once for single seating and a lounge.

### ***Ship Repair and Maintenance***

In addition to routine repairs and maintenance performed on an ongoing basis and in accordance with applicable requirements, each of our expedition ships is taken out of service for a scheduled deeper maintenance period to conduct repairs and improvements. We maintain our fleet in accordance with applicable regulations, international conventions and insurance requirements. This includes regularly scheduled maintenance, periodic inspections, drydocking, wetdocking and overhaul. In addition, renovations and replacements of various vessel elements are part of the ongoing process of maintaining the vessels to a high standard.

For U.S. flagged ships, the statutory requirement is an annual docking and U.S. Coast Guard inspections, normally conducted in drydock. Internationally flagged ships have scheduled dockings approximately every 12 months, for a period of up to three to six weeks. Drydock interval and required inspections are statutory requirements controlled under chapters of the International Convention of the Safety of Life at Seas ("SOLAS") and Classification Society instructions. Under these regulations, passenger ships must be inspected in drydock twice in five years, with the maximum duration between each drydock inspection not to exceed three years, and an underwater hull inspection is required annually. To the extent practicable each ship's crew and hotel staff remain with the ship during docking periods and assist in performing repair and maintenance work. We do not earn revenue while ships are in dock. Accordingly, dockings are typically planned during non-peak demand periods to minimize the adverse effect on revenue that results from ships being out of service.

### ***Guest Activities and Services***

We provide our guests the opportunity and the tools to be active and engaged explorers. Our vessels carry a variety of equipment for exploration which, depending on the ship and destination, may include Zodiacs for water-based activities and quick transfers to shore, kayaks for personal exploration, motorized skiffs, an underwater camera, a remotely operated vehicle, a video microscope to study some of the smallest organisms of the marine ecosystem, a crow's nest camera atop a ship's mast, hydrophones for listening to vocalizations of marine mammals, snorkeling gear, scuba gear and wetsuits. An experienced and knowledgeable expedition staff leads guests in exploration while Zodiac riding, hiking onshore, paddling on the water or observing wildlife from ashore or onboard the ship. All voyages feature a certified photo instructor onboard and many include photographers from National Geographic.

Our ships allow guests to be close to wild nature, but at the same time, enjoy a high level of comfort, convenience and safety. High-quality dining is an integral part of our expedition experience with influences and flavors that reflect the regions being explored, along with traditional fare. Food prepared aboard is sourced locally whenever practicable from sustainable providers. Seating is open and the atmosphere is relaxed. Our ships offer a range of services and amenities which allow our guests to travel in comfort. Depending on the ship, these may include a fitness center, a spa offering a variety of treatments, a photo kiosk for photographers to edit and sort photos, 24-hour beverage service, internet connection, laundry facilities and a doctor on call.

We offer to handle virtually all travel aspects related to guest reservations and transportation, simplifying the planning and booking process for our guests. We also provide guests the opportunity to purchase pre- and post-expedition extensions or services that may include additional hotel nights, air travel, private transfers, excursions, land travel packages and travel protection insurance.

### **Competitive Strengths**

Our management team believes the following characteristics of our business model will enable us to successfully execute our strategy:

#### ***Expertise and Name Recognition***

Our leadership and expertise today are built on the Lindblad family's decades of experience in expedition adventure travel. Sven-Olof Lindblad, President and Chief Executive Officer of the Company, comes from a rich expedition heritage. The International Association of Antarctica Tour Operators, which was established in 1991, believes that the concept of expedition cruising, coupled with education as a major theme, began when Lars-Eric Lindblad, Sven-Olof Lindblad's father, led the first traveler's expedition to Antarctica in 1966. Lars-Eric Lindblad has also been recognized by *The New York Times*, *Travel + Leisure Magazine* and other publications for his vision and leadership in developing what is today known as expedition travel. Believing that educated people who saw things with their own eyes would be a potent force for the preservation of the places they visited, Lars-Eric Lindblad worked to promote conservation and restoration projects worldwide. Sven-Olof Lindblad founded Lindblad in 1979, expanding the legacy of his father by providing expanded marine experiences around the world.



Under Mr. Lindblad's leadership, we have led innovation in the expedition adventure travel industry. We pioneered expeditions in the High Arctic and Baja California's Sea of Cortez and created what we view as the most innovative and in-depth expedition program in Alaska. We initiated the use of kayaks for active exploration in the Polar Regions and in the Galápagos, a feature which is now available on all of our owned vessels to enable personal, water-level encounters with nature. We were also one of the first to develop an undersea exploration program as part of a small ship expedition utilizing state-of-the-art equipment and technology.

As a pioneer in the expedition adventure travel sector, we have established deep expertise and knowledge of operating expedition cruises in extreme locations. We have earned awards and honors from various representatives of the travel industry, including recognition for the quality of our offerings and our support for conservation and sustainable tourism. Some of the awards we have earned are as follows:

- 2017 Travel + Leisure World's Best: Top Small-ship Ocean Cruise Lines
- 2017 Andrew Harper Grand Award for Best Cruise: Antarctica on National Geographic Explorer
- 2017 Andrew Harper Grand Award Staff of the Year: The staff on National Geographic Explorer
- 2017 Travvy Award: Best Cruise Line - Expedition/Adventure
- 2017 Travel Age West Wave Awards: Best Expedition Cruise Line (ocean-going)
- 2017 Recommend Magazine's Readers' Choice Awards: Best Cruise Line in Expedition Cruises, Silver Award
- Conde Nast Traveler 2017 Readers Choice Awards: Top Small Ship Cruise Lines
- 2017 Porthole Cruise Readers' Choice Awards: Best Expedition Cruise Line
- 2017 Town & Country Travel Cruise Awards: Best Active Itineraries
- 2017 Cruise Critic Editors' Picks Award: Best for Adventure
- Afar Magazine's Travelers' Choice Cruise Awards: Best Expedition Cruise Lines
- USA Today's 10Best.com Readers' Choice Awards - Best Adventure Cruise Lines

When customers select an expedition provider for the types of journeys that we offer, we believe that being known as a trusted brand in the market is a significant competitive strength.

### ***Compelling Expedition Offerings***

Our brand is known for delivering voyages that offer in-depth exploration opportunities in locations around the world. Expeditions are operated on intimately-scaled ships with capacities ranging between 28 and 148 guests, fostering a friendly atmosphere on board and extensive interaction between guests, crew and the teams of world-class scientists, naturalists, researchers and photographers that participate in the expeditions. The vessels are nimble and can access locations that are unattainable for large cruise ships, allowing for in-depth exploration itineraries and viewpoints. The ships are customized to provide our signature adventure experiences and activities, such as kayaking among Antarctic icebergs to view penguins or traveling on a Zodiac for an up-close encounter with a whale.

We are continuously focused on maintaining and elevating the guest experience and identifying new opportunities to help people discover the wonders of the world. We believe that our expedition offerings and our track record of innovation represent significant competitive advantages for us.

### ***Strong Financial Profile***

Our business model allows us to generate consistent free cash flow with high revenue visibility. Our guests plan and book their expeditions on average nine months in advance, with a deposit due upon booking, providing us insight into future revenue and a source of cash flow. Based on our product offerings, we are able to support premium pricing with minimal discounting and benefit from low requirements for maintenance capital expenditures, minimal working capital needs and favorable tax attributes.

We also have a strong cash position, providing us with ample financial flexibility to pursue growth opportunities through investment in new vessels, new charters, tactical land-based products or potential acquisitions of ships or other operators, while still maintaining a prudent capital structure.

### ***Significant Growth Opportunities***

We believe affluent Americans view their retirement as “a time to travel and explore new places,” favoring travel experiences such as expedition cruising. This has led to strong growth in the specialty cruise segment and we believe these trends will continue. We plan to expand the number of ships in our fleet, including chartered vessels over the next three years. This includes two contracted vessels, a new coastal vessel and a new polar ice class vessel. The expected deliveries of the first two vessels are scheduled for the fourth quarter of 2018 and first quarter of 2020, respectively. Additionally, we believe that our platform is well positioned to opportunistically seek accretive purchases of operators that lack scale and capital, further extending our growth prospects.

### ***Strategic Alliance with National Geographic***

We benefit from a longstanding relationship with the National Geographic Society, one of the world’s leading proponents of eco-tourism and natural history. The strategic alliance, which began in 2004, is built on our shared interest in exploration, research, technology and conservation. Founded in 1888, the National Geographic Society is one of the largest non-profit scientific and educational institutions in the world with interests ranging from geography, archaeology and natural science, to the promotion of environmental and historical conservation. Working to inspire, illuminate and teach, National Geographic reaches more than 600 million people a month through a wide range of media, including print, TV and digital. The National Geographic name has significant value for use in connection with travel-related goods and services. The Lindblad/National Geographic alliance includes a co-selling and co-marketing arrangement through which National Geographic promotes our offerings in its marketing campaigns across web-based, email, print and other marketing platforms and sells our expeditions through its internal travel division. The National Geographic sales channel represented approximately 25% of our guest ticket revenues for the year ended December 31, 2017. We believe that the alliance with National Geographic provides us with a substantial competitive advantage in the expedition market based on the brand enhancement, expanded marketing reach and the relationship with National Geographic’s naturalists and photographers.

Through this alliance, we collaborate with National Geographic on exploration, research, technology and conservation in order to provide travel experiences and disseminate geographic knowledge around the globe. The Lindblad/National Geographic alliance is set forth in an Alliance and License Agreement and a Tour Operator Agreement with terms until December 31, 2025.

Sven-Olof Lindblad, our founder, also serves on the National Geographic Society’s International Council of Advisors, which is composed of individuals identified by the National Geographic Society as visionary leaders from a range of professions and industries across the globe that exemplify the intellectual curiosity and quest for adventure that has driven the National Geographic Society’s mission since 1888. Mr. John M. Fahey, Jr., one of our directors, previously served as the Chairman and Chief Executive Officer of the National Geographic Society.

### ***Natural Habitat, Inc.***

On May 4, 2016, we acquired an 80.1% ownership interest in Natural Habitat, an adventure travel, land-based, ecotourism company located in Colorado. Natural Habitat offers over 80 different itineraries in more than 30 countries spanning seven continents. Natural Habitat focuses on small groups led by award-winning naturalists to achieve close-up wildlife and nature experiences. Examples of expeditions offered by Natural Habitat include safaris in Botswana, grizzly bear adventures in Alaska and polar bear tours in Canada and many of Natural Habitat’s expeditions feature access to private wildlife reserves, remote corners of national parks and distinctive lodges and camps for the best wildlife viewing. The smallest expeditions average between eight to nine guests with itineraries running from six to 25 days, with an average of 10 days.

Natural Habitat has partnered with World Wildlife Fund (“WWF”), since 2003 to promote sustainable conservation travel that directly promotes and protects nature. WWF is one of the world’s leading conservation groups with over six million members globally. Natural Habitat’s exclusive license agreement with WWF allows Natural Habitat to use the WWF name and logo through 2023 in return for a royalty fee.

### **Industry and Market**

We believe the specialty and small ship cruising segment of the cruise industry demonstrates the following positive fundamentals:

### ***Strong Growth in Specialty and Small Ship Cruising Segment***

The specialty and small ship cruising segment of the cruise industry is characterized by the smallest vessel size, unique itineraries, active adventures, gourmet culinary programs, highly personalized service and a more inclusive offering. These exclusive attributes, combined with a growing worldwide target population, provide specialty and small ship cruising operators with significant pricing leverage as compared to the other segments of the cruise industry.

The specialty cruise segment has demonstrated strong growth as consumers increasingly prefer experiences over other forms of discretionary spending. According to Cruise Lines International Association (“CLIA”), specialty cruises grew by 21% annually from 2009 to 2014. In a December 2016 survey of CLIA-member travel agents, 75% expected increased bookings in 2017 from the prior year, with 33% of the agents anticipating growth of 10% or greater. Despite this consistent growth, we believe the specialty cruise industry still has low penetration levels compared to similar land-based vacations, which we believe highlights the continued growth potential for the specialty cruise market.

### ***Attractive Target Market Demographics***

Our offerings appeal to a wide range of travelers, both individuals and families, but affluent individuals in the U.S. aged 50 years or older represent our largest demographic category. We believe that our small ship expedition offerings, with itineraries that promote up-close encounters with wildlife, nature and culture, have significant appeal to this target market. These individuals are also generally near-retirement or retired and have the leisure time and disposable income available to pursue the type of activities that we provide. Based on the U.S. Census Bureau’s 2015 National Projections, the age group of 50 years and older numbered approximately 111 million individuals in 2015, or approximately 35% of the U.S. population, and is expected to grow to approximately 120 million in 2020, an increase of approximately 8%.

### ***High Barriers to Entry***

The adventure travel and specialty cruise industries in which we operate are characterized by high barriers to entry, which include the expertise and experience required to operate safely and effectively in remote locations, the existence of well-established and trusted brands, the time and personal relationships required to develop strong networks of experts to lead and support expeditions, the cost and time required to build the strong travel agent network partnerships necessary for success, local permits or licenses required to operate in a diverse range of geographies, large capital expenditures and operational insight required to build new and sophisticated ships suited for such specialized activities.

### **Competition**

We compete with a number of cruise lines with competition varying by destination. The market is fragmented and primarily comprised of private operators. The primary competitors that operate in the geographic regions we serve include Silversea Expeditions, Quark Expeditions, Compagnie du Ponant, Hurtigruten and Un-Cruise Adventures. For our land-based expeditions, we compete with a variety of companies offering itineraries in the countries in which we operate. These range from small private operators to larger companies operating across multiple countries. Some of our larger competitors include Abercrombie & Kent, Overseas Adventure Travel and GeoEx. We also compete with other vacation alternatives such as land-based resort hotels and sightseeing destinations for guests’ leisure time. Companies within the vacation market are dependent on consumer discretionary spending.

The cruise industry in general and the expedition cruise industry specifically are characterized by high barriers to entry, including the existence of several established and recognizable brands, the large investment required to build a new, sophisticated ship, the long lead time necessary to construct new ships and limited newbuild shipyard capacity.

### **Business and Growth Strategies**

The following are the key components of our business strategy:

#### ***Deliver Exceptional Guest Experiences***

Our chief governing principle throughout the organization is to ensure that everything adds value to the guest experience. This applies to every step of the process from the first engagement with a potential guest, through the booking process and travel preparations, the actual expedition, whether onboard the vessel or off on explorations, and once back at home.

We believe that our guests do not want to be passive tourists, so our expeditions foster active engagement. Our ships are equipped with tools for exploration to get our guests out in the open for up-close forays, or to let guests see deeper into the marine or terrestrial environments surrounding them. It is our goal to provide guests with differentiated opportunities with an experienced expedition team that adds to the guests’ understanding and appreciation, through dedicated observation, insightful commentary and engaging presentations, weaving the expedition into a cohesive narrative. This could include an opportunity for the guest to watch a killer whale circling a seal on an ice floe, while standing next to a marine biologist and an experienced nature photographer from National Geographic. This intense focus on seeking to elevate the overall experience and engaging with guests has resulted in highly favorable customer feedback. We believe that by consistently delivering exceptional experiences to our guests, we have built a highly valuable and trusted brand in the expedition cruising and land-based expedition market, which attracts a growing number of discerning and affluent guests who are prepared to pay a premium for our offerings.

### ***High Visibility and Differentiated Revenue Management Strategy***

Given the nature of our expeditions and the expectation that our guests will seek to plan such trips with substantial notice, we begin to market our voyages approximately 12 to 24 months in advance of the departure date, depending on the destination. Guests book their trips, on average, nine months prior to sail date, paying a deposit at booking and the final payment 60 to 120 days within the date of travel, dependent upon the selected voyage. As of February 26, 2018, 90% of the Lindblad segment's expected guest ticket revenues for 2018 has been booked.

Unlike the large cruise line operators that serve the broader market, our product offering is inclusive of most costs and therefore the advance customer payments provide us strong visibility into future revenues and the associated cash flows. By having such visibility into future business, we can more effectively manage any additional sales and marketing efforts that may be required to ensure that the programs reach their targeted occupancy levels. We do not believe in driving participation through discounting and do not generally pursue such strategies. Instead, we focus on voyage enhancements that add significant value to the product without significant incremental cost, as well as targeted marketing efforts in order to strengthen occupancy rates, if required. Based on our offerings, the targeted audience and premium pricing, our guests are generally older, more affluent and do not travel with three or four individuals in one cabin. As it is industry convention to base 100% occupancy on two persons per cabin, we may report occupancy levels that are somewhat lower than the large cruise lines serving the broader market. However, we have achieved strong occupancy rates for the Lindblad segment in the last three years (based on two persons per cabin), operating at above 87% occupancy rate for the years ended December 31, 2017, 2016 and 2015.

### ***Maximize and Grow Net Yields***

We have historically achieved high net yields and continue to see opportunities for growth. Net yield is a frequently referenced metric in the cruise industry and refers to tour revenues net of commissions and certain direct costs in a specific period divided by the number of available guest nights. Our net yields are driven by our offerings, premium pricing and ancillary guest revenue, such as pre- or post-voyage trip extensions, add-on optional activities, trip insurance and onboard spend, including spa services and alcoholic beverages. Our net yields were \$985, \$976 and \$971 in 2017, 2016 and 2015, respectively. Furthermore, our historical net yield has been significantly higher than the large scale cruise line operators. We expect to be able to continue our track record of maintaining strong pricing and growing ancillary guest revenues through increased sales focus and marketing efforts, particularly of pre- and post-voyage extensions on which we have not historically placed significant emphasis.

### ***Elevate Brand Awareness and Loyalty***

Our brand is recognizable by our guests primarily due to our heritage, decades of sales and marketing investment and longstanding strategic alliance with National Geographic. We believe we have fostered strong guest and brand loyalty, which is evidenced by our high levels of repeat guests. In 2017, 41% of guests booked through our U.S. office were past guests. We have closely aligned our marketing efforts with National Geographic to maximize impact in the marketplace and have engaged in a co-branding strategy with respect to our owned vessels. In addition, we are recognized as a leader in promoting the issue of conservation of the planet and encourage our guests to become engaged through the Lindblad Expeditions – National Geographic Joint Fund for Exploration and Conservation (“LEX-NG Fund”). In the past, we have organized high-level meetings in the Arctic, Antarctic, Galápagos and Baja California to put a spotlight on key environmental issues in conjunction with organizations such as the Aspen Institute, TED and the WWF. These efforts help to build our brand and network of relationships and enhance our thought leadership. We will continue to focus on ensuring that each of our guests associates our brand with high-quality marine based adventure vacation experiences.

We source our business through a combination of direct selling, travel agency networks and our strategic alliance with National Geographic. We invest in maintaining strong relationships with our key travel agency network partners and seek to maintain commission rates and incentive structures that are competitive within the marketplace.

The National Geographic relationship also serves as a channel for bookings. Our alliance with National Geographic includes a co-selling and co-marketing arrangement through which National Geographic promotes our offerings in its marketing campaigns across web-based, email, print and other marketing platforms and sells our expeditions through its internal travel divisions. The National Geographic channel represented approximately 25%, 27% and 24% of guest ticket revenues for 2017, 2016 and 2015, respectively.

We maintain an active presence on numerous social media platforms, focusing primarily on those with the greatest reach to our target demographic. In addition, we routinely feed content to National Geographic's social media platforms, which extend the reach of our brand significantly.

### ***Disciplined Expansion***

We are focused on growing our business in a prudent and disciplined manner. When evaluating various strategies for expansion of guest capacity, we consider closely the expected return on invested capital and the range of possibilities, such as a newbuild program, adding selected charters and the acquisitions of existing ships or operators. We currently have a new coastal vessel under construction scheduled for delivery in 2018 and a new polar ice class vessel under construction scheduled for delivery in 2020. We also have options for two additional polar ice class vessels. We believe that we have ample capital and financial flexibility to fund this investment and management considers it to be an important step to meet increasing demand for our offerings.

### **Operations**

#### ***Sales and Marketing***

We place a strong emphasis on identifying the needs of our guests and creating expedition opportunities and products that guests value. We use communication strategies and marketing campaigns designed to strengthen brand awareness and to emphasize the distinctive qualities of each expedition we offer. Marketing strategies include the use of direct mail, traditional media, social media, brand websites and travel agencies.

We source our business through a combination of direct selling, travel agency networks and our strategic alliance with National Geographic. We invest in maintaining strong relationships with our key travel agency network partners and seek to maintain commission rates and incentive structures that are competitive within the marketplace.

Historically, our focus has been to primarily source guests for our expeditions from the United States. Expedition cruise guests sourced from the U.S. represented approximately 90%, 89% and 85% of our total global expedition cruise guests' ticket revenue in 2017, 2016 and 2015, respectively.

Our largest channel for guest bookings is direct contact, either by guests calling our toll-free number **(1-800-EXPEDITION)** and speaking with our expedition specialists, or requesting a reservation online at our website, [expeditions.com](http://expeditions.com). The direct channel represented nearly 41%, 39% and 43% of guest ticket revenues for 2017, 2016 and 2015, respectively.

We also generate significant bookings from travel agents and wholesalers, representing approximately 27% for the year ended 2017 and 27% for the years ended 2016 and 2015. Agent outreach efforts are focused primarily on consortiums, or travel agent networks, which target affluent travelers. The four consortiums with which we have preferred partner agreements are Virtuoso, Signature, American Express and Ensemble. Preferred status provides their agents with financial incentives to book their customers on our expeditions and provides us the opportunity for enhanced marketing to their agents and end-user customers. Our agent and affinity sales team meet with hundreds of highly-targeted agents annually, at consortium conferences and training seminars, and in-person at agency offices to provide hands-on training, support and product knowledge.

The National Geographic relationship also serves as a channel for bookings. Our alliance with National Geographic includes a co-selling and co-marketing arrangement through which National Geographic promotes our offerings in its marketing campaigns across web-based, email, print and other marketing platforms and sells our expeditions through its internal travel division. The National Geographic channel represented approximately 25%, 27% and 24% of guest ticket revenues for 2017, 2016 and 2015, respectively.

The remainder of our bookings, 6%, 7% and 5% of guest ticket revenues for 2017, 2016 and 2015, respectively, comes from affinity groups and charters. Affinity groups are predominantly college and university alumni associations, and other travel organizations targeting specific market niches.

We have a broad and diverse marketing mix across multiple media platforms and channels, allowing us to effectively communicate our product offerings to past guests and prospective guests. We continually optimize our media mix to reach our target demographic. The majority of our annual global marketing spend is focused on consumer-direct channels, with direct mail being the largest segment of our marketing expenditures. Our detailed brochures present our expedition offerings comprehensively, providing guests with all the information needed to make an informed travel decision. We also execute direct mail campaigns with the primary purpose of generating qualified leads, upon which we will fulfill requests with the appropriate product brochure and/or digital media. We also promote our expeditions across a variety of print media, primarily magazines targeting affluent travelers, as well as nature and photography enthusiasts.

Our website, [www.expeditions.com](http://www.expeditions.com), is supported internally by a dynamic content management system, allowing frequent updates, a visually-impactful design, large photos and video display with simple, straightforward navigation. We also send weekly mobile-optimized emails to our database of opt-in email subscribers, which link back to key areas on [expeditions.com](http://expeditions.com). In addition, we routinely offer webinars to offer greater insights into our expeditions, hosted by members of the expedition teams with intimate knowledge of the geographies featured.

We maintain an active presence on numerous social media platforms, focusing primarily on those with the greatest reach to our target demographic. In addition, we routinely feed content to National Geographic's social media platforms, which extend the reach of our brand significantly.

Our marketing team encompasses broad and diverse skill sets including product and channel marketing, digital marketing, database marketing, copywriting and creative, video production and research and analytics.

### ***Expedition Cruise Pricing***

Our voyage prices typically include accommodations and all expedition activities and meals, other than items of a personal nature, such as airfare to and from an expedition, spa treatments and certain other specialized events or activities. Prices vary depending on many factors, including the vessel, the destinations on a particular voyage, number of guest berths available, expedition length, cabin category selected and time of year during which the expedition takes place. Payment terms generally require an upfront deposit to confirm a reservation with the balance due prior to departure.

We focus on maintaining list pricing of our offerings and any discounting that we pursue is tactical, targeted and infrequent. In addition to our standard expedition packages, we may be able to offer a complete vessel for charter and may provide incentives for this type of arrangement. Group and multi-generational family travel may also be eligible for additional incentives based upon the voyage, duration and number of guests travelling. From time to time, we may incentivize guests to book with us with a variety of offers, including free or reduced price air transportation, hotel nights or other value-added items. We offer rewards to our guests through our loyalty program, *Friends for Life*, to encourage repeat business.

### ***Lindblad Expeditions – National Geographic Joint Fund for Exploration and Conservation***

We seek to inspire people to explore and care about the planet. One of our governing principles is to positively impact the areas we explore and in which we work. To this end, we, along with the National Geographic Society, created the LEX-NG Fund to support projects at the global, regional and local level. The objective of the LEX-NG Fund is to protect the last wild places in the ocean, support innovative local projects and facilitate conservation, research, education and community development projects in the places we explore. Together with our guests, we have raised \$9 million since the Fund was established in 2008. In addition, 500,000 shares of Lindblad common stock were contributed, or committed to be contributed, to the LEX-NG Fund by the founders of Capitol Acquisition Corp. II in connection with the merger with Lindblad Expeditions, Inc., to support the regions that we visit. Since we and the National Geographic Society together cover the LEX-NG Fund's operating costs, 100% of guest contributions go directly to on-the-ground projects. In 2017, eight key regions plus two major National Geographic conservation and education initiatives were supported with an aggregate amount of \$1.5 million. The majority of funds were donated by guests traveling aboard our fleet. The LEX-NG Fund is managed jointly by one of our staff members and two National Geographic Society staff members, and the Board is currently comprised of five members, including Sven-Olof Lindblad, our founder, President and Chief Executive Officer, and Dr. Jonathan Baillie, Chief Scientist and Senior Vice President, Science & Exploration at the National Geographic Society.

We currently operate a fleet of seven owned expedition ships and five seasonal charter vessels under the Lindblad brand. We have a longstanding relationship with the National Geographic Society, which was founded on a shared interest in exploration, research, technology and conservation. This relationship includes co-selling, co-marketing and branding arrangements with National Geographic Partners, LLC ("National Geographic") whereby our owned vessels carry the National Geographic name and National Geographic sells our expeditions through its internal travel divisions. We collaborate with National Geographic on expedition planning to enhance the guest experience by having National Geographic experts, including photographers, writers, marine biologists, naturalists, field researchers and film crews, join our expeditions. Guests have the ability to interface with these experts through lectures, excursions, dining and other experiences throughout their expedition.

## ***Environmental Stewardship***

Our staff is involved in organizations such as the International Association of Antarctic Tour Operators and the Association of Arctic Expedition Cruise Operators, which seek to lead the tourism industry with management best practices for visiting places such as Antarctica, the Arctic and the Galápagos Islands. Our staff also works with the MarViva Foundation (a non-governmental organization focused on promoting the conservation and sustainable use of coastal and marine ecosystems in the eastern tropical Pacific) to provide a consumer market for sustainably caught fish from the first designated responsible fishing area of Costa Rica. We also work with the Charles Darwin Research Station and Charles Darwin Foundation on conservation initiatives geared toward preserving the Galápagos Islands.

## ***Seasonality***

Our tour revenues from the sale of guest tickets are mildly seasonal, historically larger in the first and third quarters. The seasonality of our operating results fluctuates due to our vessels being taken out of service for scheduled maintenance or drydocking, which is typically during nonpeak demand periods, in the second and fourth quarters. Our drydock schedules are subject to cost and timing differences from year to year due to the availability of shipyards for certain work, drydock locations based on ship itineraries, operating conditions experienced especially in the polar regions and the applicable regulations of class societies in the maritime industry, which require more extensive reviews periodically. Drydocking impacts operating results by reducing tour revenues and increasing cost of tours. Natural Habitat is a seasonal business, with the majority of its tour revenue recorded in the third and fourth quarter from its summer season departures and polar bear tours.

## **Suppliers**

Our largest capital expenditures are for ship acquisition and maintenance. Our largest operating expenditures are for payroll, fuel, food and beverage, travel agent services and advertising and marketing. Most of the supplies that we require are available from numerous sources at competitive prices.

## **Insurance**

We maintain comprehensive insurance coverage at commercially reasonable rates and believe that our current coverage is at appropriate levels to protect against most of the risk involved in the conduct of our business.

We maintain insurance on the hull and machinery of each of our ships that includes additional coverage for disbursements, earnings and increased value. We also maintain protection and indemnity insurance for each of our owned ships. In addition, we maintain war risk insurance on each ship, which covers damage due to acts of war, including invasion, insurrection, terrorism, rebellion, piracy and hijacking. This coverage includes coverage for physical damage to the ship, which is not covered under the hull policies, as a result of war exclusion clauses in such hull policies. We also maintain protection and indemnity war risk coverage. Consistent with most marine war risk policies, under the terms of the war risk insurance coverage, underwriters can give notice that the policy will be canceled and reinstated at higher premium rates. We also maintain insurance coverage for shoreside property, shipboard inventory and marine and non-marine general liability risks, as well as business interruption insurance for our owned ships based on the evaluation of the financial exposure per vessel for profitability. In addition, we maintain workers compensation, directors' and officers' liability and other insurance coverage.

We historically have been able to obtain insurance coverage in amounts and at premiums we have deemed to be commercially acceptable. No assurance can be given that affordable and secure insurance markets will be available in the future, particularly for war risk insurance. All of our insurance coverage is subject to certain limitations, exclusions and deductible levels.

## **Regulation**

Our ships are regulated by various international, national, state and local laws, regulations and treaties in force in the jurisdictions in which they operate. In addition, certain ships are registered in the U.S., the Bahamas or Ecuador, as applicable. Each ship is subject to regulations issued by its country of registry, including regulations issued pursuant to international treaties governing the safety of the ships, guests and crew as well as environmental protection. Each country of registry conducts periodic inspections to verify compliance with these regulations. Ships operating out of U.S. ports are subject to inspection by the U.S. Coast Guard for compliance with international treaties and by the United States Public Health Service for sanitary and health conditions. Ships are also subject to similar inspections pursuant to the laws and regulations of various other countries visited. We consider ourselves to be in material compliance with all the regulations applicable to our ships and that we have all licenses necessary to conduct our business. Health, safety, security, environmental and financial responsibility issues are, and will continue to be, an area of focus by the relevant government authorities in the U.S. and internationally. From time to time, various regulatory and legislative changes may be proposed that could impact operations and subject us to increasing compliance costs in the future.

## ***Safety and Security Regulations***

Our ships are required to comply with international safety standards defined in the International Convention for Safety of Life at Sea (“SOLAS”), which, among other things, establishes requirements for ship design, structural features, materials, construction, life-saving equipment and safe management, and operation of ships to ensure guest and crew safety. The SOLAS standards are revised from time to time and the most recent modifications were phased in through 2010. SOLAS incorporates the International Safety Management Code (“ISM Code”), which provides an international standard for the safe management and operation of ships and for pollution prevention. The ISM Code is mandatory for all vessels, including passenger vessel operators. All of our operations and ships are regularly audited by various national authorities and maintain the required certificates of compliance with the ISM Code.

Our ships are also subject to various security requirements, including the International Ship and Port Facility Security Code (“ISPS Code”), which is part of SOLAS, and the U.S. Maritime Transportation Security Act of 2002 (“MTSA”), which applies to ships that operate in U.S. ports. In order to satisfy these security requirements, we implement security measures, conduct vessel security assessments and develop security plans. The security plans for all of the ships have been submitted to, and approved by, the respective countries of registry for compliance with the ISPS Code and the MTSA.

The Cruise Vessel Security and Safety Act of 2010, which applies to passenger vessels that embark passengers from or include port stops within the U.S., requires the implementation of certain safety design features as well the establishment of practices for the reporting of and dealing with allegations of crime.

## ***Environmental Regulations***

We are subject to various U.S. and international laws and regulations relating to environmental protection. Under such laws and regulations, we are prohibited from, among other things, discharging certain materials, such as petrochemicals and plastics, into the waterways. From time to time, environmental and other regulators may consider more stringent regulations, which may affect our operations and increase compliance costs.

The ships are subject to the International Maritime Organization’s regulations under the International Convention for the Prevention of Pollution from Ships (the “MARPOL Regulations”), which includes requirements designed to minimize pollution by oil, sewage, garbage and air emissions. We have obtained the relevant international compliance certificates relating to oil, sewage and air pollution prevention for all of our ships.

The MARPOL Regulations impose global limitations on the sulfur content of fuel used by ships operating worldwide and also establish special Emission Control Areas (“ECAs”) with stringent limitations on sulfur and nitrogen oxide emissions in these areas. As of February 2014, there were four established ECAs: the Baltic Sea, the North Sea/English Channel, certain of the waters surrounding the North American coast, and the waters surrounding Puerto Rico and the U.S. Virgin Islands. Currently, ships operating in ECAs are required to operate on fuel with a sulfur content of not more than 0.1% m/m (mass by mass). Ships operating elsewhere are subject to a limit of 3.5%, which is expected to be reduced to not more than 0.5% m/m on and after January 1, 2020 (or January 1, 2025 if the International Maritime Organization elects to defer the new cap of sulfur content following a review of the availability of low sulfur fuel for use by ships).

In July 2011, MARPOL Regulations introduced mandatory measures to reduce greenhouse gas emissions. These include the utilization of an energy efficiency design index (“EEDI”) for new ships as well as the establishment of an energy efficient management plan for all ships. The EEDI is a performance-based mechanism that requires a certain minimum energy efficiency in new ships. These regulations apply to new vessels commissioned after January 1, 2013. In June 2013, the European Commission proposed legislation which would require cruise ship operators using ports in the European Union to monitor and report on the vessels’ annual carbon dioxide emissions starting in 2018.

## ***The Jones Act***

As U.S. flag vessels, the *National Geographic Sea Bird*, the *National Geographic Sea Lion* and the *National Geographic Quest*, are subject to the U.S. laws relating to the transport of passengers or cargo between U.S. ports in the U.S. coastwise trade. Our newbuild coastal vessel, the *National Geographic Venture*, currently under construction, will also be U.S. flagged.

These laws relating to vessels are principally contained in 46 U.S.C. Chapter 551 and 46 U.S.C. §50501 and the federal regulations promulgated thereunder and are commonly referred to collectively as the “Jones Act.” Subject to limited exceptions, the Jones Act requires, among other things, that vessels engaged in U.S. coastwise trade be owned and operated by “citizens of the United States” within the meaning of the Jones Act. For purposes of the Jones Act, a corporation, for example, must satisfy at least the following requirements to be deemed a U.S. citizen: (i) the corporation must be organized under the laws of the U.S. or of a state, territory or possession thereof; (ii) each of the chief executive officer and the chairman of the board of directors of such corporation, and each person authorized to act in the absence or disability of such persons, must be a U.S. citizen; (iii) no more than a minority of the number of directors of such corporation necessary to constitute a quorum for the transaction of business can be non-U.S. citizens; and (iv) at least 75% of each class or series of stock in such corporation must be beneficially owned by U.S. citizens within the meaning of the Jones Act.



### ***Labor Regulations***

The International Labour Organization, an agency of the United Nations that develops worldwide employment standards, adopted a Consolidated Maritime Labour Convention (the “Convention”) in 2006, which became effective in August 2013. The Convention reflects a broad range of standards and conditions governing all aspects of crew management for ships in international commerce, including additional requirements not previously in effect relating to the health, safety, repatriation, entitlements and status of crewmembers and crew recruitment practices. Each of our ships, except for our two ships operating in Ecuador (not a signatory to the Convention), has received its certification of compliance with the requirements of the Convention.

### ***Consumer Financial Responsibility Regulations***

U.S. law requires the operators of passenger vessels embarking passengers at U.S. ports to be certified by the United States Federal Maritime Commission as to their ability to satisfy obligations with respect to unearned passenger revenue in case of non-performance, and for liability in case of casualty or personal injury. We satisfy these requirements with respect to our operation of the *National Geographic Sea Bird*, *National Geographic Sea Lion* and *National Geographic Quest* through an escrow account for passenger deposits and through our liability insurers.

Certain jurisdictions require that we establish financial responsibility to our guests resulting from the non-performance of our obligations; however, the related amounts do not have a material effect on our costs.

### ***Regulations Regarding Protection of Disabled Persons***

Our U.S. flag vessels, the *National Geographic Sea Bird*, the *National Geographic Sea Lion* and the *National Geographic Quest*, are subject to the Americans with Disabilities Act (ADA), which creates affirmative requirements intended to facilitate access by disabled persons. The ADA requires that our U.S. flagged vessels make “reasonable accommodation” in their policies, practices and procedures to facilitate the carriage of passengers with disabilities.

In June 2013, the U.S. Architectural and Transportation Barriers Compliance Board proposed guidelines for the construction and alteration of passenger vessels to ensure that the vessels are readily accessible to and usable by passengers with disabilities. If and when finalized, these guidelines will be used by the U.S. Department of Transportation and U.S. Department of Justice to implement mandatory and enforceable standards for passenger vessels covered by the Americans with Disabilities Act. We cannot, at this time, accurately predict whether we will be required to make material modifications or incur significant additional expenses given the status of the proposed guidelines.

### **Employees**

As of December 31, 2017, we had approximately 528 employees, including 312 shipboard employees, 213 full-time employees and three part-time employees in our shoreside operations.

### **Corporate Information and History**

We were originally incorporated in Delaware on August 9, 2010 with the name Capitol Acquisition Corp. II as a blank check company to acquire, through a merger, share exchange, asset acquisition, stock purchase, plan of arrangement, recapitalization, reorganization or other similar business combination, one or more businesses or entities.

On July 8, 2015, we completed a series of mergers whereby Lindblad Expeditions, Inc., a New York corporation, became our wholly-owned subsidiary. Immediately following the mergers, we changed our name to Lindblad Expeditions Holdings, Inc.

Our corporate headquarters are located at 96 Morton Street, 9<sup>th</sup> Floor, New York, New York 10014. Our telephone number is (212) 261-9000. Our Internet address is [www.expeditions.com](http://www.expeditions.com). Our corporate filings, including our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K, our Proxy Statements and reports filed by our officers and directors under Section 16(a) of the Securities Exchange Act, and any amendments to those filings, are available, free of charge, on our website after we file such material with the Securities and Exchange Commission. We do not intend for information contained on our website to be a part of this Annual Report on Form 10-K.

## **Item 1A. Risk Factors**

*You should carefully consider the risk factors set forth below and the other information in this Annual Report on Form 10-K. The matters discussed in the risk factors, and additional risks and uncertainties not currently known to us or that we currently deem immaterial, could have a material adverse effect on our business, financial condition, results of operation and future growth prospects.*

### **Risks Related to Our Business and Operations**

*Adverse worldwide economic, geopolitical or other conditions could reduce the demand for expedition travel and adversely impact our operating results, cash flows and financial condition.*

The demand for travel experiences, including expedition cruises and land-based travel, may be adversely affected by international, national and local economic and geopolitical conditions. In particular, a deterioration in global economic conditions that adversely affects discretionary income and consumer confidence may, in turn, result in decreased bookings, prices and onboard revenues for the expedition and cruise industries. Demand for our expeditions may also be influenced by geopolitical events. Unfavorable conditions, such as cross-border conflicts, civil unrest and governmental changes, can decrease consumer demand and result in reduced pricing for expeditions in areas affected by such conditions.

*Incidents or adverse publicity concerning the cruise industry, the expedition travel industry or the travel industry in general, weather conditions and other natural disasters or disruptions could affect our reputation as well as impact our sales and results of operations.*

The operation and/or use of cruise ships, land tours, port facilities and shore excursions involves the risk of accidents, illnesses, mechanical failures, environmental incidents including oil spills, and other incidents. Such incidents may cause guests and potential guests to question their safety, health, security and vacation satisfaction, and could negatively impact our reputation. Incidents involving cruise ships, particularly the safety and security of guests and crew, media coverage thereof, as well as adverse media publicity in general concerning the cruise industry, have impacted and could in the future impact demand for our expeditions and pricing in the industry. The considerable expansion in the use of social media over recent years has compounded the potential scope of the negative publicity that could be generated by those incidents. If any such incident occurs during a time of high seasonal demand, the effect could disproportionately impact our results of operations for the year. In addition, incidents involving cruise ships may result in additional costs to our business, including costs related to increasing government or other regulatory oversight. Incidents involving our own fleet may result in litigation.

Our fleet and the port facilities we use may also be adversely impacted by weather patterns or natural disasters or disruptions, such as hurricanes, earthquakes and changes in ice floes. From time to time, we may be forced to alter itineraries or cancel expeditions due to these or other factors, which could negatively impact our sales and profitability. Increases in the frequency, severity or duration of severe weather events, including those related to climate change, could exacerbate the impact and cause further disruption to our operations. In addition, these and any other events that impact the travel industry more generally may negatively impact our ability to deliver guests or crew to our expeditions and/or interrupt our ability to obtain services and goods from key vendors in our supply chain. Any of the foregoing could have an adverse impact on our results of operations and on industry performance.

*Ship repair or revitalization delays or mechanical issues on existing vessels may result in cancellation of expeditions or unscheduled drydockings and repairs and thus adversely affect our results of operations.*

We depend on shipyards to repair, maintain and revitalize our ships on a timely basis and to ensure they remain in good working order. The sophisticated nature of repairing and revitalizing a ship involves risks, and shipyards may encounter financial, technical or design problems when doing these jobs. Delays in ship repair or revitalization or mechanical failures have in the past and may in the future result in delays or cancellations of expeditions and unscheduled drydockings and repairs of ships. If there is a significant accident, mechanical failure or similar problem involving a ship, we may have to place a ship in drydock for an extended period for repairs. Any such delays, cancellations of expeditions and/or unscheduled drydockings could have a material adverse effect on our business, results of operations and financial condition. These events and any related adverse publicity could result in lost revenue, increased operating expenses, or both, and thus adversely affect our results of operations.

***Delays or cost overruns in building new vessels (including the failure to deliver new vessels) could harm us.***

Building new vessels is subject to risks of delay or cost overruns caused by conditions beyond our control, including one or more of the following:

- unforeseen engineering or construction problems;
- changes to design specifications;
- delays or unanticipated shortages with respect to necessary materials, equipment or skilled labor;
- inability to obtain the requisite permits, approvals or certifications from governmental authorities and the applicable classification society upon completion of work;
- financial difficulties of the shipyard building a vessel, including bankruptcy;
- lack of shipyard availability;
- work stoppages; and
- weather interference.

Significant delays, cost overruns and failure to timely deliver new vessels we have committed to service our guests could adversely affect us in several ways, including delaying the implementation of our business strategies, materially increasing our cost of servicing our commitments to our guests or resulting in the cancellation of scheduled expeditions. In addition, there are a limited number of shipyards with the capability and capacity to build our new ships and, accordingly, increased demand for available new construction slots could impact our ability to construct new ships when and as planned and/or result in stronger bargaining power on the part of the shipyards.

***We must make substantial capital expenditures to maintain and/or expand our fleet.***

We must make substantial capital expenditures to maintain our fleet in good working order. Maintenance capital expenditures include those associated with drydocking a vessel, modifying an existing vessel or acquiring a new vessel. These expenditures could increase as a result of changes in the cost of labor and materials; customer requirements; increases in our fleet size or the cost of replacement vessels; governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment; and competitive standards. In addition, maintenance capital expenditures will vary from quarter to quarter based on the number of vessels drydocked during that quarter. Significant unexpected maintenance capital expenditures could have an adverse impact on our operations.

We are currently making substantial capital expenditures to increase the size of our fleet by constructing new vessels and may acquire existing vessels from other parties in the future. Shipyards generally require us to make installment payments on any new ship build prior to delivery, which requires us to expend a significant amount of money to build a new vessel without any corresponding revenue for an extended period of time. In addition, we may not receive the expected demand for our newly constructed or acquired vessels, which could have an adverse impact on our operations.

***An increase in capacity worldwide or excess capacity in a particular market could adversely impact our expedition sales and/or pricing.***

Expedition sales and/or pricing may be impacted both by the introduction of new ships into the marketplace and by deployment decisions of us and our competitors. The further growth in capacity from these new ships and future orders, without an increase in the cruise industry's share of the vacation market, could depress expedition prices and impede our ability to achieve yield improvement. In addition, to the extent that we or our competitors deploy ships to a particular itinerary and the resulting capacity in that region exceeds the demand, we may consider pricing adjustments, which may result in lower than anticipated profitability. Any of the foregoing could have an adverse impact on our results of operations, cash flows and financial condition.

***Fears of terrorist and pirate attacks, war and other hostilities, travel restrictions and the spread of contagious diseases could have a negative impact on our results of operations.***

Events such as terrorist and pirate attacks, war and other hostilities and the resulting political instability, travel restrictions, such as travel bans to and from certain geographical areas and heightened regulations around customs and border control, the spread of contagious diseases, such as the Zika virus, and other related concerns over the safety, health and security aspects of traveling, or the fear of any of the foregoing, have had, and could have in the future, a significant adverse impact on demand and pricing in the travel and vacation industry. In view of our global operations, we are susceptible to a wide range of adverse events, which could decrease demand and adversely affect our business.

***We may lose business to competitors throughout the vacation market.***

We operate in the vacation market, and expedition cruising is one of many alternatives for people choosing a vacation. We therefore risk losing business not only to other cruise lines, but also to other vacation operators who provide other leisure options, including hotels, resorts and package holidays and tours.

We face significant competition from other vacation operators and cruise companies on the basis of pricing, destination, travel agent preference and also in terms of the nature of ships and services we offer to guests. Our competition within the expedition and cruise vacation industries depends on the destination and is fragmented and primarily comprised of private operators.

In the event that we do not differentiate our offerings or otherwise do not compete effectively with other vacation operators and cruise companies, our results of operations and financial position could be adversely affected.

***Conducting business globally may result in increased costs and other risks.***

We operate our business globally and plan to continue to expand our international presence. Operating internationally exposes us to a number of risks, including unstable local economic conditions, volatile local political conditions, potential changes in duties and taxes, including changing interpretations of existing tax laws and regulations, potential changes in local laws, rules and regulations, required compliance with additional laws and policies affecting cruising, vacation or maritime businesses or governing the operations of foreign-based companies, currency fluctuations, interest rate movements, government controlled fuel prices, difficulties in operating under local business environments, U.S. and global anti-bribery laws or regulations, imposition of trade barriers, and restrictions on repatriation of earnings. If we are unable to address these risks adequately, our financial position and results of operations could be adversely affected, including potentially impairing the value of our ships, goodwill and other assets.

Operating globally also exposes us to numerous and sometimes conflicting legal and regulatory requirements. In many parts of the world, including countries in which we operate, practices in the local business communities might not conform to international business standards. We must adhere to policies designed to promote legal and regulatory compliance as well as applicable laws and regulations. However, we might not be successful in ensuring that our employees, agents, representatives and other third parties with whom we associate throughout the world properly adhere to them.

Failure by us, our employees or any of these third parties to adhere to our policies or applicable laws or regulations could result in penalties, sanctions, damage to our reputation and related costs which in turn could negatively affect our results of operations and cash flows.

***Our efforts to expand our business into new markets may not be successful.***

While our historical focus has been to serve guests from the North American expedition cruise market, we may expand our focus to include other global markets. Expansion into new markets requires significant levels of investment. There can be no assurance that any new markets will develop as anticipated or that we will have success in any new markets, and if we do not, we may be unable to recover our investment, which could adversely impact our business, financial condition and results of operations, including potentially impairing the value of our goodwill.

***If our redeployment of vessels to a new market with new itineraries is not successful, our business and operating results may be adversely affected.***

We cannot predict whether new expeditions and new itineraries offered by any vessels redeployed will attract a number of guests comparable to previous expeditions. If redeployments and new expeditions do not attract as many guests as past expeditions or if there is a delay in finalizing or marketing the new itineraries, our business and operating results may be adversely affected.

***Failure to develop the value of our brand and differentiate our products could adversely affect our results of operations.***

Our success depends on the strength and continued development of our expedition brand and on the effectiveness of our brand strategies. Failure to protect and differentiate our brand from competitors throughout the vacation market could adversely affect our results of operations.

***We have an on-going partnership with National Geographic and the termination or alterations in this relationship may have an adverse effect on our business.***

The National Geographic Society is one of the largest non-profit scientific and educational institutions in the world. Its interests include geography, archaeology and natural science, the promotion of environmental and historical conservation, and the study of world culture and history. In furtherance of similar interests and goals, we have entered into a Tour Operator Agreement and an Alliance and License Agreement (collectively, the “NG Agreements”) with National Geographic Partners, LLC.

Pursuant to the NG Agreements, our owned vessels contain the phrase “National Geographic” in their names, we have access to certain of National Geographic’s marks and images for advertising purposes and we and our guests have access to National Geographic photographers, naturalists and other experts. National Geographic may in certain instances terminate the Alliance and License Agreement with us, including upon a termination event caused by a change of control in which Sven-Olof Lindblad or his designated successor ceases to hold a senior management role with the company, a termination due to our failure to achieve specified year-over-year revenue growth percentage requirements, a failure to meet the conditions necessary to extend the relationship through 2025 or otherwise. If the NG Agreements are terminated or modified in any material respect, due to any of the reasons set forth above or otherwise, our results of operations may be materially adversely affected.

***We have a relationship with World Wildlife Fund (“WWF”) through our Natural Habitat subsidiary and the termination or alterations in this relationship may have an adverse effect on our Natural Habitat business.***

WWF is a leading conservation organization whose mission is to conserve nature and reduce the most pressing threats to the diversity of life on Earth. Natural Habitat partners with WWF to offer conservation travel through a license agreement that allows Natural Habitat to use the WWF name and logo in return for a royalty fee, through 2023.

If Natural Habitat’s license agreement with World Wildlife Fund was terminated or modified in any material respect, our results of operations for the Natural Habitat segment may be materially adversely affected.

***We may not be able to obtain sufficient financing or capital for our needs or may not be able to do so on terms that are acceptable or consistent with our expectations.***

Any circumstance or event that leads to a decrease in consumer cruise and land-based travel spending, such as worsening global economic conditions or significant incidents impacting the cruise industry, the expedition cruise industry or the travel industry, could negatively affect our operating cash flows. Although we believe that we have sufficient cash flows from operations and will have sufficient access to capital to fund our operations and obligations as expected, there can be no assurances to that effect. Our ability to access additional funding as and when needed, our ability to timely refinance and/or replace outstanding debt and credit facilities on acceptable terms and our cost of funding will depend upon numerous factors including but not limited to the condition of the financial markets, our financial performance and credit ratings and the performance of our industry in general.

***Any inability to satisfy any covenants required by existing or future credit facilities could adversely impact our liquidity.***

Our Restated Credit Agreement contains certain financial covenants and is secured by substantially all of our assets. Any failure to comply with such terms, conditions, and covenants could result in an event of default. Further, if an event of default under a credit facility were to occur, cross default provisions, if any, could cause our other outstanding debt, if any, to be immediately due and payable. Upon such an occurrence, there could be no assurance that we would have sufficient liquidity to repay or the ability to refinance the borrowings under any such credit facilities or settle other outstanding contracts if such amounts were accelerated upon an event of default.

***Environmental, labor, health and safety, financial responsibility and other maritime regulations could affect operations and increase operating costs.***

The United States and various state and foreign government or regulatory agencies have enacted or are considering new environmental regulations or policies, such as requiring the use of low sulfur fuels, increasing fuel efficiency requirements, further restricting emissions, or other initiatives to limit greenhouse gas emissions that could increase our cost for fuel, cause us to incur significant expenses to purchase and/or develop new equipment and adversely impact the cruise vacation industry. Some environmental groups, in particular, have also lobbied for more stringent regulation of cruise ships and have generated negative publicity about the cruise vacation industry and its environmental impact. An increase in fuel prices not only impacts our fuel costs, but also some of our other expenses, such as crew travel, freight, air travel, and commodity prices.

In addition, we are subject to various international, national, state and local laws, regulations and treaties that govern, among other things, safety standards applicable to our ships, treatment of disabled persons, health and sanitary standards applicable to our guests, security standards on board our ships and at the ship/port interface areas, and financial responsibilities to our guests. These issues are, and we believe will continue to be, an area of focus by the relevant authorities throughout the world, especially in light of several recent incidents involving cruise ships. This could result in the enactment of more stringent regulation of cruise ships that could subject us to increasing compliance costs in the future.

***Our operating costs, particularly fuel expenditures, could increase due to market forces and economic or geopolitical factors beyond our control.***

Expenditures for fuel represent a significant cost of operating our business. If fuel prices rise significantly in a short period of time, we may be unable to increase fares or other fees sufficiently to offset fully our increased fuel costs. In addition, volatility in fuel prices or disruptions in fuel supplies could have a material adverse effect on our results of operations, financial condition and liquidity. To date, we have not hedged our fuel costs with any fuel derivative instruments. If we decide to enter into such instruments in the future, we will be subject to the risk that the fuel derivatives will not provide adequate protection against significant increases in fuel prices and could in fact result in hedging losses and result in us effectively paying higher than market prices for fuel.

Our other capital expenditure and operating costs, including food, hotel, payroll, maintenance and repair, airfare, taxes, insurance and security costs, are subject to increases due to market forces and economic or political conditions or other factors beyond our control. Increases in these capital expenditure and operating costs could adversely affect our profitability.

***Price increases for commercial airline service for our guests or major changes or reductions in commercial airline service and/or availability could increase our operating expenses and adversely impact the demand for expedition travel.***

Most of our guests depend on scheduled commercial airline services to transport them to or from the ports where our expeditions embark or disembark passengers. Increases in the price of airfare would increase the overall price of the expedition vacation to our guests, which may adversely impact demand for our expeditions. In addition, changes in the availability of commercial airline services could adversely affect our guests' ability to obtain air transport, which could adversely affect our results of operations.

***Our reliance on travel agencies to sell and market our cruises exposes us to certain risks that, if realized, could adversely impact our business.***

Because we rely on travel agencies to generate a substantial portion of the bookings for our ships, we must ensure that our commission rates and incentive structures remain competitive. If we fail to offer competitive compensation packages, these agencies may be incentivized to sell vacation packages offered by our competitors to our detriment, which could adversely impact our operating results. In addition, the travel agent industry is sensitive to economic conditions that impact discretionary income. Significant disruptions or contractions in the industry could reduce the number of travel agencies available for us to market and sell our expeditions, which could have an adverse impact on our financial condition and results of operations.

***Disruptions in our shoreside operations or our information systems may adversely affect our results of operations.***

Our principal executive offices are located in New York, New York, and our principal shoreside operations are located in Seattle, Washington. Actual or threatened natural disasters (e.g., hurricanes, earthquakes, tornadoes, fires, and floods), terrorist attacks, or other similar disruptive events in these locations may have a material impact on our business continuity, reputation and results of operations. In addition, substantial or repeated information systems failures, computer viruses or cyber-attacks impacting our shoreside or shipboard operations could adversely impact our business. We do not generally carry business interruption insurance for our shoreside operations or our information systems. As such, any losses or damages incurred by us could have an adverse impact on our results of operations.

***Fluctuations in foreign currency exchange rates could affect our financial results .***

We earn revenues, pay expenses, recognize assets and incur liabilities in currencies other than the U.S. dollar, including, among others, the Euro, the Canadian Dollar, the Australian Dollar, the Swedish Krona, and the British Pound. In 2017, 2016 and 2015, we derived approximately 10%, 11% and 15%, respectively, of our guest ticket revenues from guests outside the United States. Because our consolidated financial statements are presented in U.S. dollars, we must convert revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, absent offsetting changes in other foreign currencies, increases or decreases in the value of the U.S. dollar against other major currencies will affect our revenues, net income and the value of balance sheet items denominated in foreign currencies. We use limited financial instruments to mitigate our net balance sheet exposure to currency exchange rate fluctuations. However, there can be no assurances that fluctuations in foreign currency exchange rates, particularly the strengthening of the U.S. dollar against major currencies, would not materially affect our financial results.

In addition, we have ship maintenance contracts and may in the future have ship construction contracts which are denominated in currencies other than the U.S. dollar. We may in the future enter into forward contracts and collar options to manage a portion of the currency risk associated with these contracts, and we are or may be exposed to fluctuations in the exchange rates for the portions of the contracts that have not been hedged. Additionally, if a shipyard is unable to perform under such a contract, any foreign currency forward contracts that were entered into to manage the currency risk would need to be terminated. Termination of these contracts could result in a significant loss.

***The loss of key personnel, our inability to recruit or retain qualified personnel, or disruptions among our shipboard personnel due to strained employee relations could adversely affect our results of operations.***

Our success depends, in large part, on the reputation, skills and contributions of key executives (including Sven-Olof Lindblad, in particular) and other employees, and on our ability to recruit and retain high quality personnel. Our management team is comprised of individuals with a diverse knowledge base and skill sets acquired through extensive experience in expedition cruising, adventure travel, and hospitality. We must continue to sufficiently recruit, retain, train and motivate our employees to maintain our current business and support our projected growth. A loss of key executives or other key employees or disruptions among our personnel could adversely affect our results of operations.

***We rely on third-party providers of various services integral to the operation of our businesses. These third parties may act in ways that could harm our business.***

In order to achieve cost and operational efficiencies, we outsource to third-party vendors certain services that are integral to the operations of our global businesses. We are subject to the risk that certain decisions are subject to the control of third-party service providers and that these decisions may adversely affect our activities. A failure to adequately monitor a third-party service provider's compliance with a service level agreement or regulatory or legal requirements could result in significant economic and reputational harm to us.

There is also a risk that the confidentiality, privacy and/or security of data held by third parties or communicated over third-party networks or platforms could become compromised. Such a breach could adversely affect our reputation and in turn adversely affect our business.

***A failure to keep pace with developments in technology or technological obsolescence could impair our operations or competitive position.***

Our business continues to demand the use of sophisticated technology and systems, such as reservations and reporting systems. These technologies and systems must be refined, updated and/or replaced with more advanced systems in order to continue to meet our guests' demands and expectations. If we are unable to do so in a timely manner or within reasonable cost parameters or if we are unable to appropriately and timely train our employees to operate any of these new systems, our business could suffer. We also may not achieve the benefits that we anticipate from any new technology or system, and a failure to do so could result in higher than anticipated costs or could impair our operating results.

***We may be exposed to risks and costs associated with protecting the integrity and security of our guests' and employees' personal information.***

We are subject to various risks associated with the collection, handling, storage and transmission of sensitive information, including risks related to compliance with applicable laws and other contractual obligations, as well as the risk that our systems collecting such information could be compromised. In the course of doing business, we collect large volumes of internal and guest data, including personally identifiable information for various business purposes. If we fail to maintain compliance with the various applicable data collection and privacy laws or with credit card industry standards or other applicable data security standards, we could be exposed to fines, penalties, restrictions, litigation or other expenses, and our business could be adversely impacted. In addition, even if we are fully compliant with legal standards and contractual requirements, we still may not be able to prevent security breaches involving sensitive data. Any breach, theft, loss, or fraudulent use of guest, employee or company data could cause consumers to lose confidence in the security of our information technology systems and choose not to purchase from us and expose us to risks of data loss, business disruption, litigation and other liability, any of which could adversely affect our business.

***A change in our tax status under the United States Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”), or other jurisdictions, may have adverse effects on our income.***

At the present time, many of our subsidiaries that are foreign corporations do not derive any significant income from sources within the United States, and are not subject to significant United States federal income taxes. Any income earned by these subsidiaries from sources within the United States generally is subject to United States federal income tax (and United States branch profits tax) unless the requirements of the exemption under Section 883 of the Internal Revenue Code are met. Although we expect that any United States source income of our foreign subsidiaries will generally qualify for the benefits of the Section 883 exemption, there is no assurance that such benefits will be available.

In addition, the enactment of legislation implementing changes in taxation of international business activities, the adoption of other corporate tax reform policies, or changes in tax legislation or policies could materially affect our financial position and results of operations. In general, changes in tax laws may affect our tax rate, increase our tax liabilities, carrying value of deferred tax assets, or our deferred tax liabilities. Any substantial changes in international corporate tax policies, enforcement activities or legislative initiatives may materially and adversely affect our business, the amount of taxes we are required to pay and our financial condition and results of operations generally.

***Restrictions on travel or access to certain protected or preserved areas could adversely affect our business.***

We believe that our expedition itineraries are a major reason why guests choose our expedition cruises over competing cruises and vacation options. However, our ability to follow our planned itinerary for any expedition cruise may be affected by a number of factors, including security concerns, adverse weather conditions and natural disasters, local government regulations and restrictions and other restrictions on access, including access to protected or preserved areas.

For instance, the number of visitors admitted to the Galápagos National Park at any given time is limited by the number of “cupos” permits issued by the Galápagos National Parks Service. In June 2015, a new Ecuadorian Special Law for Protected Areas was approved and updated in November 2015. A Presidential Decree issued by President Correa of Ecuador in November 2015 established that cupos in effect as of July 2015 will have a validity of nine years. Our rights to operate in the Galapagos will therefore expire in July 2024 and based on the new law and decree, we will begin the renewal process in 2020.

Although the current holders of cupos will have the opportunity to re-apply for them, other enterprises and individuals will also have the opportunity to bid on cupos as they become subject to renewal. All bidders in this process must present proof that they fulfill the conditions to properly utilize the license. Notable criteria include, without limitation, access to a vessel, experience in tourism, a proven record of environmentally sensitive behavior, marketing requirements, etc. If the Galápagos National Parks Service were to further restrict access to the park, we might be required to alter certain of our travel itineraries. Such a development would negatively impact our business and revenues.

Changes in other governmental and environmental rules and regulations in the Galápagos Islands and other travel destinations could also cause sudden losses in revenue, together with additional expenditures due to the need to revise our existing itineraries. Restrictions on access for us and our guests to other protected or preserved areas, including national parks, may result in losses in revenues typically generated by our expeditions to such areas.

***Litigation, enforcement actions, fines or penalties could adversely impact our financial condition or results of operations and/or damage our reputation.***

Our business is subject to various United States and international laws and regulations that could lead to enforcement actions, fines, civil or criminal penalties or the assertion of litigation claims and damages. In addition, improper conduct by our employees, agents, partners, or expedition representatives could damage our reputation and/or lead to litigation or legal proceedings that could result in civil or criminal penalties, including substantial monetary fines. In certain circumstances, it may not be economical to defend against such matters and/or a legal strategy may not ultimately result in us prevailing in a matter. Such events could lead to an adverse impact on our financial condition or results of operations.

In addition, as a result of any ship-related or other incidents, litigation claims, enforcement actions and regulatory actions and investigations, including, but not limited to, those arising from personal injury, loss of life, loss of or damage to personal property, business interruption losses or environmental damage to any affected coastal waters and the surrounding area, may be asserted or brought against various parties, including us and/or our subsidiaries. The time and attention of our management may also be diverted in defending such claims, actions and investigations. Subject to applicable insurance coverage, we may also incur costs both in defending against any claims, actions and investigations and for any judgments, fines, civil or criminal penalties if such claims, actions or investigations are adversely determined.



***Failure to comply with international safety regulations may subject us to increased liability that may adversely affect our insurance coverage resulting in a denial of access to, or detention in, certain ports which could adversely affect our business.***

The operation of vessels is affected by the requirements of the International Maritime Organization's International Safety Management Code for the Safe Operation of Ships and Pollution Prevention ("ISM Code"). The ISM Code requires ship owners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. Our failure to comply with the ISM Code may subject us to increased liability, invalidate existing insurance or decrease available insurance coverage for the affected vessels and result in a denial of access to or detention in certain ports, all of which could materially and adversely affect our results of operations and liquidity.

***Compliance with environmental and other laws and regulations could adversely affect our business.***

Extensive and changing environmental protection and other laws and regulations directly affect the operation of our vessels. These laws and regulations take the form of international conventions and agreements, including the International Maritime Organization conventions and regulations and the International Convention for the Safety of Life at Sea, which are applicable to all internationally trading vessels, and national, state and local laws and regulations, all of which are amended frequently. Under these laws and regulations, various governmental and quasi-governmental agencies and other regulatory authorities may require us to obtain permits, licenses and certificates in connection with our operations. Some countries in which we operate have laws that restrict the nationality of a vessel's crew and prior and future ports of call, as well as other considerations relating to particular national interests. Changes in governmental regulations and safety or other equipment standards may require unbudgeted expenditures for alterations or the addition of new equipment for our vessels.

***An inability to obtain adequate insurance coverage could adversely affect our business, financial condition and results of operations.***

While we maintain comprehensive insurance and believe that our current coverage is at appropriate levels, we are not protected against all risks and there can be no assurance that any particular claim will be fully paid by our insurance. Such losses, to the extent they are not adequately covered by contractual remedies or insurance, could affect our financial results. Our protection and indemnity ("P&I") liability insurance is placed on a mutual basis and we are subject to additional premium calls in amounts based on claim records of all members of the P&I Club. We are also subject to additional premium assessments including, but not limited to, investment or underwriting shortfalls experienced by the P&I Club. If we were to sustain significant losses in the future, our ability to obtain insurance coverage at all or at commercially reasonable rates could be materially adversely affected. Moreover, irrespective of the occurrence of such events, there can still be no assurance that we will be able to obtain adequate insurance coverage at commercially reasonable rates or at all.

***If we do not restrict the amount of ownership of our common stock by non-U.S. citizens, we could be prohibited from operating vessels in U.S. coastwise trade, which would adversely impact our business and operating results.***

To the extent any of our United States flagged vessels are engaged in U.S. coastwise trade, we will be subject to the Jones Act, which governs, among other things, the ownership and operation of vessels used to carry cargo or passengers between U.S. ports. Subject to limited exceptions, the Jones Act requires that such vessels engaged in the U.S. coastwise trade be built in the United States, registered under the U.S. flag, manned by predominantly U.S. crews, and beneficially owned and operated by U.S. organized companies that are controlled and at least 75% owned by U.S. citizens within the meaning of the Jones Act. A failure to maintain compliance with the Jones Act would adversely affect our financial position and our results of operations as we would be prohibited from operating vessels in the U.S. coastwise trade during any period in which we do not comply or cannot demonstrate to the satisfaction of the relevant governmental authorities our compliance with the Jones Act. In addition, a failure to maintain compliance could subject us to fines and our vessels could be subject to seizure and forfeiture for violations of the Jones Act and the related U.S. vessel documentation laws.

***Restrictions on non-U.S. citizen ownership of certain U.S. flagged vessels could limit our ability to sell off a portion of our business or result in the forfeiture of certain of our vessels.***

Compliance with the Jones Act requires that non-U.S. citizens within the meaning of the Jones Act beneficially own no more than 24.99% in the entities that directly or indirectly own the vessels that operate in the U.S. coastwise trade. If we were to seek to sell any portion of our business that owns any of these vessels, we would have fewer potential purchasers, because some potential purchasers might be unable or unwilling to satisfy the U.S. citizenship restrictions described above. As a result, the sales price for that portion of the business may not attain the amount that could be obtained in an unregulated market.

## Risks Related to Our Securities

*Our amended and restated certificate of incorporation limits the beneficial ownership of our common stock by individuals and entities that are not U.S. citizens within the meaning of the Jones Act. These restrictions may affect the liquidity of our common stock and may result in non-U.S. citizens being required to disgorge profits, sell their shares at a loss or relinquish their voting, dividend and distribution rights.*

Under the Jones Act, and so long as we operate U.S. flagged vessels in coastwise trade, at least 75% of the outstanding shares of each class or series of our capital stock must be beneficially owned and controlled by U.S. citizens within the meaning of the Jones Act. Certain provisions of our amended and restated certificate of incorporation are intended to facilitate compliance with this requirement and may have an adverse effect on certain holders or proposed transferees of shares of our common stock.

Under the provisions of our amended and restated certificate of incorporation, any transfer, or attempted transfer, of any shares of capital stock will be void if the effect of such transfer, or attempted transfer, would be to cause one or more non-U.S. citizens in the aggregate to own (of record or beneficially) shares of any class or series of our capital stock in excess of 22% of the outstanding shares of such class or series. The liquidity or market value of the shares of common stock may be adversely impacted by such transfer restrictions.

In the event such restrictions voiding transfers would be ineffective for any reason, our amended and restated certificate of incorporation provides that if any transfer would otherwise result in the number of shares of any class or series of capital stock owned (of record or beneficially) by non-U.S. citizens being in excess of 22% of the outstanding shares of such class or series, such transfer will cause such excess shares to be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries that are U.S. citizens. The proposed transferee will have no rights in the shares transferred to the trust, and the trustee, who is a U.S. citizen chosen by us and unaffiliated with us or the proposed transferee, will have all voting, dividend and distribution rights associated with the shares held in the trust. The trustee will sell such excess shares to a U.S. citizen within 20 days of receiving notice from us and distribute to the proposed transferee the lesser of the price that the proposed transferee paid for such shares and the amount received from the sale, and any gain from the sale will be paid to the charitable beneficiary of the trust.

These trust transfer provisions also apply to situations where ownership of a class or series of capital stock by non-U.S. citizens in excess of 22% would be exceeded by a change in the status of a record or beneficial owner thereof from a U.S. citizen to a non-U.S. citizen, in which case such person will receive the lesser of the market price of the shares on the date of such status change and the amount received from the sale. In addition, under our amended and restated certificate of incorporation, if the sale or other disposition of shares of common stock would result in non-U.S. citizens owning (of record or beneficially) in excess of 22% of the outstanding shares of common stock, the excess shares shall be automatically transferred to a trust for disposal by a trustee in accordance with the trust transfer provisions described above. As part of the foregoing trust transfer provisions, the trustee will be deemed to have offered the excess shares in the trust to us at a price per share equal to the lesser of (i) the market price on the date we accept the offer and (ii) the price per share in the purported transfer or original issuance of shares, as described in the preceding paragraph, or the market price per share on the date of the status change, that resulted in the transfer to the trust.

As a result of the above trust transfer provisions, a proposed transferee that is a non-U.S. citizen or a record or beneficial owner whose citizenship status change results in excess shares may not receive any return on its investment in shares it purportedly purchases or owns, as the case may be, and it may sustain a loss.

To the extent that the above trust transfer provisions would be ineffective for any reason, our amended and restated certificate of incorporation provides that, if the percentage of the shares of any class or series of capital stock owned (of record or beneficially) by non-U.S. citizens is known to us to be in excess of 22% for such class or series, we, in our sole discretion, shall be entitled to redeem all or any portion of such shares most recently acquired (as determined by us in accordance with guidelines that are set forth in our amended and restated certificate of incorporation), by non-U.S. citizens, or owned (of record or beneficially) by non-U.S. citizens as a result of a change in citizenship status, in excess of such permitted percentage for such class or series at a redemption price based on a fair market value formula that is set forth in our amended and restated certificate of incorporation. Such excess shares shall not be accorded any voting, dividend or distribution rights until they have ceased to be excess shares, provided that they have not been already redeemed by us. As a result of these provisions, a shareholder who is a non-U.S. citizen may be required to sell its shares of common stock at an undesirable time or price and may not receive any return on its investment in such shares. Further, we may have to incur additional indebtedness, or use available cash (if any), to fund all or a portion of such redemption, in which case our financial condition may be materially weakened.

In order to assist our compliance with the Jones Act, our amended and restated certificate of incorporation permits us to require that any record or beneficial owner of any shares of our capital stock provide us with certain documentation concerning such owner's citizenship. These provisions include a requirement that every person acquiring, directly or indirectly, five percent (5%) or more of the shares of any class or series of our capital stock must provide us with specified citizenship documentation. In the event that any person does not submit such requested or required documentation to us, our amended and restated certificate of incorporation provides us with certain remedies, including the suspension of the voting rights of the person's shares owned by persons unable or unwilling to submit such documentation and the payment of dividends and distributions with respect to those shares into a segregated account. As a result of non-compliance with these provisions, a record or beneficial owner of the shares of our common stock may lose significant rights associated with those shares.

In addition to the risks described above, the foregoing ownership restrictions on non-U.S. citizens could delay, defer or prevent a transaction or change in control that might involve a premium price for common stock or otherwise be in the best interest of our shareholders.

***If non-U.S. citizens own more than 22% of our common stock, we may not have the funds or the ability to redeem any excess shares and the charitable trust mechanism described above may be deemed invalid or unenforceable, all with the result that we could be forced to either suspend our operations in the U.S. coastwise trade or be subject to substantial penalties.***

Our amended and restated certificate of incorporation contains provisions voiding transfers of shares of any class or series of our capital stock that would result in non-U.S. citizens within the meaning of the Jones Act, in the aggregate, owning in excess of 22% of the shares of such class or series. In the event that this transfer restriction would be ineffective, our amended and restated certificate of incorporation provides for the automatic transfer of such excess shares to a trust specified therein. These trust provisions also apply to excess shares that would result from a change in the status of a record or beneficial owner of shares of our capital stock from a U.S. citizen to a non-U.S. citizen. In the event that these trust transfer provisions would also be ineffective, our amended and restated certificate of incorporation permits us to redeem such excess shares. The per-share redemption price may be paid, as determined by our Board of Directors, by cash or redemption notes or the shares may be redeemed for warrants. However, we may not be able to redeem such excess shares for cash because our operations may not have generated sufficient excess cash flow to fund such redemption. Further, the methodology for transfer to and sale by a charitable trust could be deemed invalid or unenforceable in one or more jurisdictions. If, for any reason, we are unable to effect a redemption or charitable sale when beneficial ownership of shares by non-U.S. citizens is in excess of 24.99% of the common stock, or otherwise prevent non-U.S. citizens in the aggregate from beneficially owning shares in excess of 24.99% of any class or series of capital stock, or fail to exercise our redemption or forced sale rights because we are unaware that ownership exceeds such percentage, we will likely be unable to comply with the Jones Act and will likely be required by the applicable governmental authorities to suspend our operations in the U.S. coastwise trade. Any such actions by governmental authorities would have a severely detrimental impact on our financial position, results of operations and cash flows and any failure to suspend operations in violation of the Jones Act could cause us to be subject to material financial and operational penalties.

***We are an “emerging growth company” and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our shares of common stock less attractive to investors.***

We are an “emerging growth company,” as defined in the Jumpstart our Business Startups Act of 2012 (“JOBS Act”). We will remain an “emerging growth company” until December 31, 2018. However, if our non-convertible debt issued within a three-year period or revenues exceeds \$1 billion, or the market value of our shares of common stock that are held by non-affiliates exceeds \$700 million on the last day of the second fiscal quarter of any given fiscal year, we would cease to be an emerging growth company as of the following fiscal year. As an emerging growth company, we are not required to comply with the auditor attestation requirements of section 404 of the Sarbanes-Oxley Act. We cannot predict if investors will find our shares of common stock less attractive because we may rely on these provisions. If some investors find our shares of common stock less attractive as a result, there may be a less active trading market for our shares and our share price may be more volatile.

***Our outstanding warrants may have an adverse effect on the market price of shares of common stock.***

As of February 26, 2018, we had issued and outstanding warrants to purchase 10,103,828 shares of common stock. The sale, or even the possibility of sale, of the shares underlying the warrants could have an adverse effect on the market price for our securities or on our ability to obtain future financing. If and to the extent these warrants are exercised, you may experience dilution to your holdings.

***We may redeem the warrants at a time that is not beneficial to public investors.***

We may call the public warrants for redemption at any time after the redemption criteria described in the prospectus for our initial public offering have been satisfied. If we call the public warrants for redemption, public shareholders may be forced to accept a nominal redemption price or sell or exercise the warrants when they may not wish to do so.

***Our management's ability to require holders of our warrants to exercise such warrants on a cashless basis will cause holders to receive fewer shares of common stock upon their exercise of the warrants than they would have received had they been able to exercise their warrants for cash.***

If we call our public warrants for redemption after the redemption criteria described in the prospectus for our initial public offering have been satisfied, our management will have the option to require any holder that wishes to exercise its warrant (including any warrants held by our initial shareholders or their permitted transferees) to do so on a "cashless basis." If our management chooses to require holders to exercise their warrants on a cashless basis, the number of shares of common stock received by a holder upon exercise will be fewer than it would have been had such holder exercised his warrant for cash. This will have the effect of reducing the potential "upside" of the holder's investment in our company.

***An active trading market for our common stock may not be sustained, and you may not be able to resell your shares at or above the price at which you purchased them.***

An active trading market for our shares may not be sustained. In the absence of an active trading market for our common stock, shares of common stock may not be able to be resold at or above the purchase price of such shares. Although there can be no assurances, we expect that our common stock will continue to be listed on the NASDAQ Stock Market. However, even if our common stock continues to be listed on the NASDAQ Stock Market, there is no assurance that an active market for our common stock will continue in the foreseeable future.

***We do not intend to pay any dividends to shareholders in the foreseeable future.***

We have not paid any cash dividends on our shares of common stock to date and do not intend to pay cash dividends in the foreseeable future. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial conditions. The payment of any dividends is within the discretion of our Board of Directors. It is the present intention of our Board of Directors to retain all earnings, if any, for use in our business operations and, accordingly, our Board of Directors does not anticipate declaring any dividends in the foreseeable future. As a result, any gain you will realize on our securities will result solely from the appreciation of such securities.

***Provisions in our amended and restated certificate of incorporation and bylaws and Delaware law may inhibit a takeover of us, which could limit the price investors might be willing to pay in the future for our common stock and could entrench management.***

Our amended and restated certificate of incorporation and bylaws contain provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. Our board of directors is divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. As a result, at a given annual meeting only a minority of the board of directors may be considered for election. Since our "staggered board" may prevent our stockholders from replacing a majority of our board of directors at any given annual meeting, it may entrench management and discourage unsolicited stockholder proposals that may be in the best interests of stockholders. Moreover, our Board of Directors has the ability to designate the terms of and issue new series of preferred stock.

We are also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together these provisions may make more difficult the removal of management and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 2. Properties**

Our principal executive office is located at 96 Morton Street, New York, New York where we lease approximately 13,000 square feet. Our principal shoreside operations are located at 1415 Western Avenue, Seattle, Washington, consisting of approximately 7,200 square feet. We also lease our Natural Habitat office in Louisville, Colorado, a media studio in Burlington, Vermont and an office in Sydney, Australia. A description of our vessels is set forth in Item 1 under the subheading "Lindblad Expeditions, Ships and Voyages."

#### **Item 3. Legal Proceedings**

We are involved in various claims, legal actions and regulatory proceedings arising from time to time in the ordinary course of business. We are not currently involved in any litigation nor, to our knowledge, is any litigation threatened against us, the outcome of which would, in our judgment based on information currently available to us, have a material adverse effect on our financial position or results of operations.

#### **Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market Information

Our common stock and warrants are traded on the NASDAQ Capital Market under the symbols "LIND" and "LINDW," respectively. The following table sets forth the high and low closing prices for our common stock and warrants as reported by the NASDAQ Capital Market for the two most recent years by quarter:

Period	Common Stock		Warrants	
	High	Low	High	Low
<b>2017:</b>				
Fourth Quarter	\$ 11.13	\$ 9.21	\$ 1.95	\$ 1.35
Third Quarter	\$ 11.21	\$ 9.76	\$ 2.25	\$ 1.78
Second Quarter	\$ 10.50	\$ 8.95	\$ 2.30	\$ 1.87
First Quarter	\$ 9.72	\$ 8.62	\$ 2.30	\$ 1.90
<b>2016:</b>				
Fourth Quarter	\$ 10.08	\$ 7.75	\$ 2.55	\$ 1.63
Third Quarter	\$ 10.08	\$ 8.51	\$ 2.46	\$ 1.55
Second Quarter	\$ 10.70	\$ 8.69	\$ 2.60	\$ 1.50
First Quarter	\$ 11.40	\$ 9.24	\$ 3.00	\$ 2.21

#### Holders

As of February 26, 2018, there were 161 holders of record of our common stock and 10 holders of record of our warrants. Since certain of our shares and warrants are held by brokers and other institutions on behalf of shareholders, the foregoing number is not representative of the number of beneficial owners.

#### Dividends

We have not paid any cash dividends on our common stock to date. We intend to retain all earnings, if any, for use in our business operations and for purchases of our common stock and warrants, accordingly, our Board of Directors does not anticipate declaring any dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of our Board and will depend upon our results of operations, financial condition, restrictions imposed by applicable law and our financing agreements and other factors that our Board of Directors deems relevant.

#### Recent Sales by the Company of Unregistered Securities

There were no unregistered sales of equity securities during the quarter ended December 31, 2017.

#### Repurchases of Securities

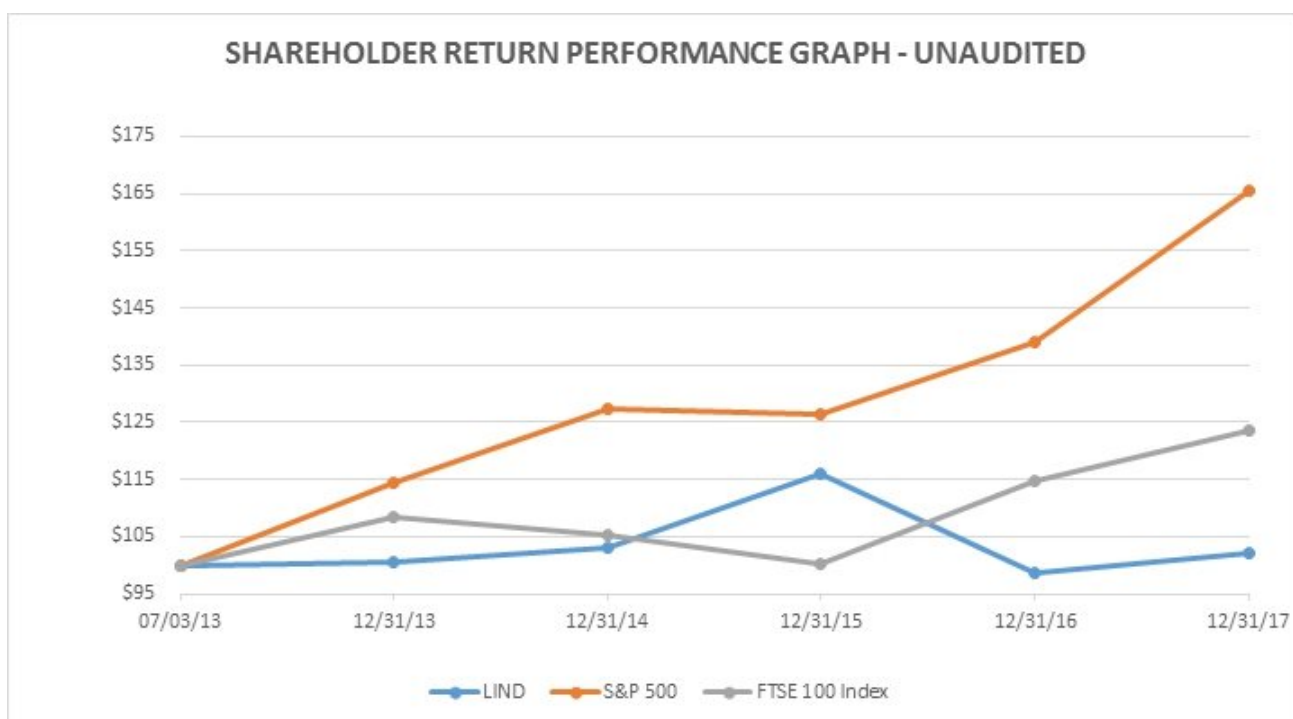
On November 2, 2016, our Board of Directors approved a \$15.0 million increase to the original \$20.0 million Repurchase Plan, announced in November 2015, to \$35.0 million. This Repurchase Plan authorizes us to purchase from time to time our outstanding common stock and warrants through open market repurchases in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, and/or in privately negotiated transactions based on market and business conditions, applicable legal requirements and other factors. Any shares and warrants purchased will be retired. The Repurchase Plan has no time deadline and will continue until otherwise modified or terminated at the sole discretion of our Board of Directors at any time. The repurchases exclude shares repurchased to settle statutory employee tax withholding related to the vesting of stock awards. All repurchases were made using cash resources. There were no repurchases of common stock in the fourth quarter of 2017.

The following table represents information with respect to purchases by the Company of outstanding warrants during the quarter ended December 31, 2017:

Period	Total number of warrants purchased	Average price paid per warrant	Total number of warrants purchased as part of publicly announced plans or programs	Approximate dollar value of shares and warrants that may yet be purchased under the plans or programs
October 1-31, 2017	-	\$ -	-	\$ 13,001,479
November 1-30, 2017	-	-	-	13,001,479
December 1-31, 2017	16,495	1.35	16,495	12,979,046
Total	16,495	\$ 1.35	16,495	\$ 12,979,046

### Stock Performance Graph

The following stock performance graph compares the performance of our common stock from July 3, 2013 (the date our warrants and common stock commenced separate trading on the NASDAQ Capital Market) to December 31, 2017 with the performance of the Standard & Poor's 500 Composite Stock Index and the FTSE 100 Index. The graph assumes an initial investment of \$100 on July 3, 2013 and reinvestment of dividends.



	07/03/13	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17
LIND	\$ 100.00	\$ 100.42	\$ 103.13	\$ 115.97	\$ 98.64	\$ 102.19
S&P 500	100.00	114.42	127.45	126.53	138.89	165.51
FTSE 100 Index	100.00	108.33	105.40	100.20	114.65	123.40

**Item 6. Selected Financial Data**

The following selected financial data should be read in conjunction with Management's Discussion and Analysis of Results of Operations and Financial Condition, the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements in this Annual Report on Form 10-K.

(In thousands, except share and per share data)	For the years ended December 31,				
	2017	2016	2015	2014	2013
<b>Income Statement Data:</b>					
Tour revenues	\$ 266,504	\$ 242,346	\$ 209,985	\$ 198,459	\$ 192,237
Operating income	\$ 10,744	\$ 13,981	\$ 15,502	\$ 30,420	\$ 23,522
Net (loss) income	\$ (7,529)	\$ 5,059	\$ 19,742	\$ 22,245	\$ 14,844
<b>Per Share Data:</b>					
(Loss) earnings per share:					
Basic	\$ (0.19)	\$ 0.11	\$ 0.44	\$ 0.44	\$ 0.29
Diluted	\$ (0.19)	\$ 0.10	\$ 0.43	\$ 0.44	\$ 0.29
Weighted average shares outstanding, basic	44,576,912	45,649,971	44,917,829	50,878,894	51,106,436
Weighted average shares outstanding, diluted	44,576,912	46,456,921	45,575,387	50,878,894	51,106,436

(In thousands)	As of December 31,				
	2017	2016	2015	2014	2013
<b>Balance Sheet Data:</b>					
Total assets	\$ 424,348	\$ 407,701	\$ 381,613	\$ 245,925	\$ 207,028
Long-term debt	\$ 165,936	\$ 165,878	\$ 164,443	\$ 56,690	\$ 59,935
Total liabilities	\$ 311,724	\$ 288,722	\$ 267,692	\$ 178,358	\$ 151,455
Total stockholders' equity	\$ 106,322	\$ 113,809	\$ 113,921	\$ 67,567	\$ 55,573

**Item 7. Management's Discussion and Analysis of the Results of Operations and Financial Condition**

The information contained in this section should be read in conjunction with our consolidated financial statements and related notes and the information contained elsewhere in this Form 10-K under the headings "Risk Factors," "Selected Financial Data," and "Business."

**Overview**

We provide expedition cruising and adventure travel experiences that include itineraries that feature up-close encounters with wildlife and nature, history and culture and promote guest empowerment and interactivity. Our mission is offering life-changing adventures on all seven continents and pioneering innovative ways to allow our guests to connect with exotic and remote places.

We currently operate a fleet of seven owned expedition ships and five seasonal charter vessels under the Lindblad brand. We have a strategic business alliance with National Geographic founded on a shared interest in exploration, research, technology and conservation. This relationship includes a co-selling, co-marketing and branding arrangement whereby our owned vessels carry the National Geographic name and National Geographic sells our expeditions through its internal travel division. We collaborate with National Geographic on voyage planning to enhance the guest experience by having National Geographic experts, including photographers, writers, marine biologists, naturalists, field researchers and film crews, join our expeditions. Guests have the ability to interface with these experts through lectures, excursions, dining and other experiences throughout their voyage.

We deploy chartered vessels for various seasonal offerings and continually seek to optimize our charter fleet to balance our inventory with demand and maximized yields. We use our charter inventory as a mechanism to both increase travel options of our existing and prospective guests and also to test demand for certain areas and seasons to understand the potential for longer term deployments and additional vessel needs.

Due to the specific geographies in which we operate and the cost of providing access to fuel in our remote destinations, we have historically not experienced significant fluctuations in fuel costs with changes in world fuel commodity prices. Fuel costs represented 3.2%, 3.4% and 4.3% of our Lindblad segment tour revenues for the years ended December 31, 2017, 2016 and 2015, respectively.

In November 2017, the Company executed a contract to build a polar ice class vessel targeted to be completed in January 2020, with potential accelerated delivery to November 2019, with a total purchase price of 1,066.0 million Norwegian Kroner (NOK). Subsequently, LME exercised its right to make payments in United States Dollars, which resulted in a purchase price of \$134.6 million, including hedging costs. The first twenty percent of the purchase price was paid shortly after execution of the Agreement with the remaining eighty percent due upon delivery and acceptance of the vessel. The polar ice class contract includes options to build two additional ice class vessels, the first for delivery twelve months after the initial vessel and the second for delivery twelve months thereafter. The new build process exposes us to certain risks typically associated with new ship construction, which we manage through detailed planning and close monitoring by our internal marine team.

In December 2015, we entered into two separate contracts with Ice Floe LLC, to build the *National Geographic Quest* and the *National Geographic Venture*. Management considers this investment to be an important step to meet increasing demand for our expedition cruise offerings. The *National Geographic Quest* launched in the third quarter of 2017 and operated in Alaska and British Columbia during the summer of 2017 before voyaging to Costa Rica and Panama to provide expeditions for the Northern Hemisphere winter season.

In December 2016, we launched the *National Geographic Endeavour II*, which replaced the *National Geographic Endeavour*. *Endeavour II* will operate year-round in the Galápagos Islands. *National Geographic Endeavour* was fully depreciated and we incurred a \$0.8 million loss on disposal of the vessel during the fourth quarter of 2016.

In the fourth quarter of 2016, the *National Geographic Orion* experienced an issue with its main engine and as a result we cancelled one voyage in 2016 and four voyages during the first quarter of 2017 for necessary engine repairs and in the first quarter of 2017, the *National Geographic Sea Lion* cancelled two voyages to repair the onboard air conditioning system. In addition, the delayed delivery of the *National Geographic Quest* caused the cancellation of four highly booked voyages. The Company estimates that the impact of these cancellations was approximately \$12.4 million in tour revenues and \$9.0 million Adjusted EBITDA in 2017.

On May 4, 2016, we expanded our land-based offerings by acquiring an 80.1% ownership interest in Natural Habitat, Inc. (“Natural Habitat”), an adventure travel and ecotourism company based in Colorado. Natural Habitat was founded by Benjamin L. Bressler, who retains a 19.9% noncontrolling interest in Natural Habitat. Examples of Natural Habitat’s expeditions include African safaris in Botswana, grizzly bear adventures in Alaska and polar bear tours in Canada. Since 2003, Natural Habitat has partnered with the World Wildlife Fund (“WWF”) to offer conservation travel, sustainable travel that directly protects nature. This agreement with WWF extends through 2023.

On March 7, 2016, we entered into a Restated Credit Agreement with Credit Suisse, amending our existing senior secured credit facility with Credit Suisse (“Restated Credit Facility”). The Restated Credit Facility provides for our Company’s existing \$175.0 million senior secured first lien term loan facility and a new \$45.0 million senior secured incremental revolving credit facility (“Revolving Credit Facility”), which includes a \$5.0 million letter of credit sub facility. Our obligations under the Restated Credit Facility are secured by substantially all our assets. See Note 7 – Long-Term Debt in the Notes to the consolidated financial statements in Item 8 of this Annual Report on Form 10-K for additional information regarding the Restated Credit Agreement.

The discussion and analysis of our results of operations and financial condition are organized as follows:

- a description of certain line items and operational and financial metrics we utilize to assist us in managing our business;
- a comparable discussion of our consolidated and segment results of operations for the years ended December 31, 2017 and 2016 and for the years ended December 31, 2016 and 2015;
- a discussion of our liquidity and capital resources, including future capital and contractual commitments and potential funding sources; and
- a review of our critical accounting policies.



## Financial Presentation

### *Description of Certain Line Items*

#### *Tour revenues*

Tour revenues consist of the following:

- Guest ticket revenues recognized from the sale of guest tickets; and
- Other tour revenues from the sale of pre- or post-expedition excursions, hotel accommodations and land-based expeditions; air transportation to and from the ships, goods and services rendered onboard that are not included in guest ticket prices, trip insurance, cancellation fees and insurance proceeds.

#### *Cost of tours*

Cost of tours includes the following:

- Direct costs associated with revenues, including cost of pre- or post-expedition excursions, hotel accommodations and land-based expeditions, air and other transportation expenses and cost of goods and services rendered onboard;
- Payroll costs and related expenses for shipboard and expedition personnel;
- Food costs for guests and crew, including complimentary food and beverage amenities for guests;
- Fuel costs and related costs of delivery, storage and safe disposal of waste; and
- Other tour expenses, such as land costs, port costs, repairs and maintenance, equipment expense, drydock, ship insurance and charter hire costs.

#### *Selling and marketing*

Selling and marketing expenses include commissions and a broad range of advertising and promotional expenses.

#### *General and administrative*

General and administrative expenses primarily include the cost of shoreside vessel support, reservations and other administrative functions, including salaries and related benefits, credit card commissions, professional fees and rent.

#### *Operational and Financial Metrics*

We use a variety of operational and financial metrics, including non-GAAP financial measures, such as Adjusted EBITDA, Net Yields and Net Cruise Costs, to enable us to analyze our performance and financial condition. We utilize these financial measures to manage our business on a day-to-day basis and believe that they are the most relevant measures of performance. Some of these measures are commonly used in the cruise and tourism industry to evaluate performance. We believe these non-GAAP measures provide expanded insight to assess revenue and cost performance, in addition to the standard GAAP-based financial measures. There are no specific rules or regulations for determining non-GAAP measures, and as such, they may not be comparable to measures used by other companies within the industry.

**The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. You should read this discussion and analysis of our results of operations and financial condition together with the consolidated financial statements and the related notes thereto also included in Item 8 of this Annual Report on Form 10-K.**

**Adjusted EBITDA** is net (loss) income excluding depreciation and amortization, net interest expense, other income (expense), income tax (expense) benefit, (gain) loss on foreign currency, (gain) loss on transfer of assets, reorganization costs, and other supplemental adjustments. Other supplemental adjustments include certain non-operating items such as stock-based compensation, executive severance costs, the National Geographic fee amortization, merger-related expenses and acquisition-related expenses. The Company believes Adjusted EBITDA, when considered along with other performance measures, is a useful measure as it reflects certain operating drivers of the business, such as sales growth, operating costs, selling and administrative expense, and other operating income and expense. The Company believes Adjusted EBITDA helps provide a more complete understanding of the underlying operating results and trends and an enhanced overall understanding of the Company's financial performance and prospects for the future. Adjusted EBITDA is not intended to be a measure of liquidity or cash flows from operations or a measure comparable to net income as it does not take into account certain requirements, such as unearned passenger revenues, capital expenditures and related depreciation, principal and interest payments, and tax payments. The Company's use of Adjusted EBITDA may not be comparable to other companies within the industry.

***The following metrics apply to our Lindblad segment:***

**Adjusted Net Cruise Cost** represents Net Cruise Cost adjusted for Non-GAAP other supplemental adjustments which include certain non-operating items such as stock-based compensation, the National Geographic fee amortization, merger-related expenses, and acquisition-related expenses.

**Available Guest Nights** is a measurement of capacity and represents double occupancy per cabin (except single occupancy for a single capacity cabin) multiplied by the number of cruise days for the period. We also record the number of guest nights available on our limited land programs in this definition.

**Gross Cruise Cost** represents the sum of cost of tours plus merger-related expenses, selling and marketing expenses, and general and administrative expenses.

**Gross Yield** represents tour revenues less insurance proceeds divided by Available Guest Nights.

**Guest Nights Sold** represents the number of guests carried for the period multiplied by the number of nights sailed within the period.

**Maximum Guests** is a measure of capacity and represents the maximum number of guests in a period and is based on double occupancy per cabin (except single occupancy for a single capacity cabin).

**Net Cruise Cost** represents Gross Cruise Cost excluding commissions and certain other direct costs of guest ticket revenues and other tour revenues.

**Net Cruise Cost Excluding Fuel** represents Net Cruise Cost excluding fuel costs.

**Net Revenue** represents tour revenues less insurance proceeds, commissions and direct costs of other tour revenues.

**Net Yield** represents Net Revenue divided by Available Guest Nights.

**Number of Guests** represents the number of guests that travel with us in a period.

**Occupancy** is calculated by dividing Guest Nights Sold by Available Guest Nights.

**Voyages** represent the number of ship expeditions completed during the period.

**Foreign Currency Translation**

The U.S. dollar is the functional currency in our foreign operations and re-measurement adjustments and gains or losses resulting from foreign currency transactions are recorded as foreign exchange gains or losses in the consolidated statements of operations.

**Seasonality**

Lindblad tour revenues from the sale of guest tickets are mildly seasonal, historically larger in the first and third quarters. The seasonality of our operating results increases due to our vessels being taken out of service for scheduled maintenance or drydocking, which is typically during non-peak demand periods, in the second and fourth quarters. Our drydock schedules are subject to cost and timing differences from year to year due to the availability of shipyards for certain work, drydock locations based on ship itineraries, operating conditions experienced especially in the polar regions, and the applicable regulations of class societies in the maritime industry, which require more extensive reviews periodically. Drydocking impacts operating results by reducing tour revenues and increasing cost of tours. Natural Habitat is a seasonal business, with the majority of its tour revenue recorded in the fourth quarter from polar bear tours.

## Results of Operations – Consolidated

We reported consolidated tour revenues, cost of tours, operating expenses, operating income and net income for the years ended December 31, 2017, 2016 and 2015 as shown in the following table:

(In thousands, except per share data)	For the years ended December 31,						
	2017	2016	Change	%	2015	Change	%
Tour revenues	\$ 266,504	\$ 242,346	\$ 24,158	10%	\$ 209,985	\$ 32,361	15%
Cost of tours	135,526	118,977	16,549	14%	95,417	23,560	25%
Gross profit	130,978	123,369	7,609	6%	114,568	8,801	8%
General and administrative	60,529	51,896	8,633	17%	38,994	12,902	33%
Selling and marketing	42,354	39,072	3,282	8%	35,083	3,989	11%
Depreciation and amortization	17,351	18,420	(1,069)	(6%)	11,645	6,775	58%
Merger-related expenses	-	-	-	NA	13,344	(13,344)	NA
Operating income	\$ 10,744	\$ 13,981	\$ (3,237)	(23%)	15,502	(1,521)	(10%)
Net (loss) income	(7,529)	5,059	(12,588)	(249%)	\$ 19,742	\$ (14,683)	(74%)
(Loss) earnings per share available to common stockholders							
Basic	\$ (0.19)	\$ 0.11	\$ (0.30)	(273%)	\$ 0.44	\$ (0.33)	(75%)
Diluted	(0.19)	0.10	(0.29)	(290%)	0.43	(0.33)	(77%)

## Comparison of Years Ended December 31, 2017 and December 31, 2016 - Consolidated

### Tour Revenues

Tour revenues increased \$24.2 million, or 10%, to \$266.5 million in 2017 compared to \$242.3 million in 2016. The Lindblad segment increased tour revenues by \$9.0 million driven primarily by the launch of the *National Geographic Quest* and the *National Geographic Endeavour II*, as well as additional charter expeditions, partially offset by the cancellation of four highly booked voyages on the *National Geographic Orion* and two highly booked voyages on the *National Geographic Sea Lion*. Tour revenues at the Natural Habitat segment, which was acquired in the second quarter of 2016, increased \$15.2 million primarily due to a full twelve months of operations in 2017. It is estimated that total company tour revenues would have increased approximately \$36.5 million, or 15%, over the prior year to \$278.9 million excluding the impact of the voyage cancellations on the *National Geographic Orion* and the *National Geographic Sea Lion* and the delayed delivery of the *National Geographic Quest*.

### Cost of Tours

Cost of tours increased \$16.5 million, or 14%, to \$135.5 million in 2017 compared to \$119.0 million in 2016. At the Lindblad segment, cost of tours increased \$8.3 million primarily related to the launch of the *National Geographic Quest*, as well as additional charter expeditions and costs related to cancelled voyages, partially offset by lower drydock expense. At the Natural Habitat segment cost of tours increased \$8.0 million primarily due to a full twelve months of operations in 2017.

### General and Administrative Expenses

General and administrative expenses increased by \$8.6 million, or 17%, to \$60.5 million in 2017 compared to \$51.9 million in 2016. At the Lindblad segment, general and administrative expenses increased \$4.5 million primarily due to a \$5.2 million increase in stock based compensation, which was mainly associated with the CEO Share Allocation Plan, as well as \$1.4 million in executive severance costs. The increase was partially offset by lower personnel and consulting costs. At the Natural Habitat segment, general and administrative expenses increased \$4.2 million primarily due to a full twelve months of operations in 2017.

### ***Selling and Marketing Expenses***

Selling and marketing expenses increased \$3.3 million, or 8%, to \$42.4 million in 2017 compared to \$39.1 million in 2016 primarily due to a \$2.1 million increase at the Lindblad segment as result of increased commission and royalty expense associated with the higher tour revenues. At the Natural Habitat segment, selling and marketing expenses increased \$1.2 million primarily due to a full twelve months of operations in 2017.

### ***Depreciation and Amortization Expenses***

Depreciation and amortization expenses decreased \$1.1 million, or 6%, to \$17.4 million in 2017 compared to \$18.4 million in 2016 primarily related to accelerated depreciation of \$5.0 million associated with the retirement of the *National Geographic Endeavour* in 2016, which was partially offset by depreciation in 2017 related to the addition of the *National Geographic Endeavour II* and the *National Geographic Quest* to the fleet.

### ***Other (Expense) Income***

Other expenses were \$8.3 million in 2017 compared to \$12.1 million in 2016. The \$3.8 million change was primarily due to the following factors:

- In 2017, we recorded a \$1.1 million gain in foreign currency translation compared to a loss of \$0.7 million in 2016 due to the strength of the U.S. dollar in relation to the Canadian dollar and the Euro.
- Interest expense, net, decreased \$0.4 million to \$9.7 million in 2017 from \$10.1 million in 2016 due to higher capitalized interest primarily related to the *National Geographic Quest* and the *National Geographic Venture* offset by higher cash interest caused by higher rates.
- In 2017, the \$0.5 million gain on sale primarily related to the sale of the *National Geographic Endeavour*. We had recognized a loss of \$0.8 million in 2016 related to the loss of disposal of the *National Geographic Endeavour*.

## **Comparison of Years Ended December 31, 2016 and December 31, 2015**

### ***Tour Revenues***

Tour revenues increased \$32.3 million, or 15%, to \$242.3 million in 2016 compared to \$210.0 million in 2015. The increase was primarily a result of \$34.5 million in added tour revenues from the acquisition of Natural Habitat, partially offset by a decrease of \$2.2 million of tour revenues at the Lindblad segment.

### ***Cost of Tours***

Total cost of tours increased \$23.6 million, or 25%, to \$119.0 million in 2016 compared to \$95.4 million in 2015. The increase was primarily a result of \$22.5 million of additional tour costs related to the acquisition of Natural Habitat and a \$1.1 million increase in cost of tours at the Lindblad segment due to increased drydock and charter expenses, partially offset by lower fuel expenses.

### ***General and Administrative Expenses***

General and administrative expenses increased by \$12.9 million, or 33%, to \$51.9 million in 2016 compared to \$39.0 million in 2015. The increase was primarily a result of \$6.3 million in added expenses from the acquisition of Natural Habitat and an increase at the Lindblad segment, resulting from \$5.3 million in additional personnel and public company costs.

### ***Selling and Marketing Expenses***

Selling and marketing expenses increased \$4.0 million, or 11%, to \$39.1 million in 2016 compared to \$35.1 million in 2015. The increase was primarily a result of \$2.7 million in expenses from the acquisition of Natural Habitat and a \$1.5 million increase in National Geographic fee amortization.

### ***Merger-Related Expenses***

Merger-related expenses for the year ended December 31, 2015 were \$13.3 million consisting of one-time professional fees associated with the merger transaction that was completed in July 2015.

## Depreciation and Amortization Expenses

Depreciation and amortization expenses for the years ended December 31, 2016 and 2015 were \$18.4 million and \$11.6 million, respectively. The \$6.8 million increase was primarily related to the \$5.0 million of accelerated depreciation for the *National Geographic Endeavour* described in Item 8 of this Annual Report in Note 2 – Summary of Significant Accounting Policies.

## Other (Expense) Income

Other expenses were \$12.1 million in 2016 compared to other income of \$1.6 million in 2015. The \$13.7 million change was primarily due to the following factors:

- A \$0.8 million loss on disposal of *National Geographic Endeavour* in 2016 compared to the \$5.0 million success fee income and the gain on the disposal of assets of \$7.5 million in 2015.
- Interest expense, net, decreased \$0.8 million to \$10.1 million in 2016 from \$10.9 million in 2015. The decrease was primarily related to \$1.6 million in capitalized interest in 2016 with no capitalized interest for 2015 and a \$1.4 million decrease primarily from the accelerated amortization of deferred finance costs related to the repayment of our senior debt in May 2015 partially offset by \$2.2 million in higher cash interest primarily due to higher debt levels from our Restated Credit Facility See Item 8 of this Annual Report Note 7 – Long-Term Debt; and
- In 2016, we recorded a \$0.7 million loss in foreign currency translation compared to a small loss in 2015.

## Results of Operations – Segments

Selected information for our segments is below. **The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.**

(In thousands)	For the years ended December 31,						
	2017	2016	Change	%	2015	Change	%
<b>Tour revenues:</b>							
Lindblad	\$ 216,815	\$ 207,836	\$ 8,979	4%	\$ 209,985	\$ (2,149)	(1%)
Natural Habitat*	49,689	34,510	15,179	44%	-	34,510	NA
Total tour revenues	\$ 266,504	\$ 242,346	\$ 24,158	10%	\$ 209,985	\$ 32,361	15%
Impact of voyage cancellations	12,353	-	12,353	NA	-	-	NA
Total tour revenues excluding voyage cancellations	\$ 278,857	\$ 242,346	\$ 36,511	15%	\$ 209,985	\$ 32,361	15%
<b>Operating income (loss):</b>							
Lindblad	\$ 7,291	\$ 11,794	\$ (4,503)	(38%)	\$ 15,502	\$ (3,708)	(24%)
Natural Habitat*	3,452	2,187	1,265	58%	-	2,187	NA
Total operating income	10,743	13,981	(3,238)	(23%)	15,502	(1,521)	(10%)
Impact of voyage cancellations	8,798	-	8,798	NA	-	-	NA
Total operating income excluding voyage cancellations	\$ 19,541	\$ 13,981	\$ 5,560	40%	\$ 15,502	\$ (1,521)	(10%)
<b>Adjusted EBITDA:</b>							
Lindblad	\$ 38,655	\$ 38,624	\$ 31	0%	\$ 46,801	\$ (8,177)	(17%)
Natural Habitat*	4,834	3,038	1,796	59%	-	3,038	NA
Total adjusted EBITDA	43,489	41,662	1,827	4%	46,801	(5,139)	(11%)
Impact of voyage cancellations	9,047	-	9,047	NA	-	-	NA
Total adjusted EBITDA excluding voyage cancellations	\$ 52,536	\$ 41,662	\$ 10,874	26%	\$ 46,801	\$ (5,139)	(11%)

\* The 2016 Natural Habitat segment results represent activity from acquisition date of May 2016 through December 31, 2016.

## Results of Operations – Lindblad Segment

### Comparison of Years Ended December 31, 2017 to December 31, 2016

#### *Tour Revenues*

Tour revenues increased \$9.0 million, or 4%, to \$216.8 million in 2017 compared to \$207.8 million in 2016 primarily due to additional guest ticket revenue associated with the launch of the *National Geographic Quest* and the *National Geographic Endeavour II*, as well as from additional charter expeditions and higher yields. Net Yield in 2017 increased to \$985 compared to \$976 in 2016, primarily driven by price increases and changes in itineraries. This increase was partially offset by the impact of the cancellation of four highly booked voyages of the *National Geographic Orion* and two highly booked voyages of the *National Geographic Sea Lion*. It is estimated tour revenues would have increased approximately \$21.3 million, or 10%, over the prior year to \$229.2 million excluding the impact of the voyage cancellations and the delayed delivery of the *National Geographic Quest*.

#### *Operating Income*

Operating income decreased \$4.5 million, or 38%, to \$7.3 million in 2017 compared to \$11.8 million in 2016 primarily related to the voyage cancellations on the *National Geographic Orion* and *National Geographic Sea Lion* during the first quarter of 2017. The operating income also reflects higher tour revenues and lower drydock costs, partially offset by the costs associated with operating the *National Geographic Quest* following the July 2017 launch and higher charter costs. In addition, higher general and administrative expenses of \$4.5 million were due primarily to higher stock based compensation associated with the CEO Share Allocation Plan, as well as executive severance costs. Excluding the impact of cancelled voyages and the delayed delivery of the *National Geographic Quest*, it is estimated that operating income would have increased approximately \$4.3 million or 36% over the prior year to \$16.1 million.

### Comparison of Years Ended December 31, 2016 to December 31, 2015

#### *Tour Revenues*

Tour revenues decreased \$2.2 million, or 1%, to \$207.8 million in 2016 compared to \$210.0 million in 2015. The change was primarily the result of a \$2.2 million decrease in other tour revenues. Net Yield amounted to \$976 in 2016 compared to \$971 in 2015. The increase in Net Yield was primarily related to increased tour prices partially offset by lower occupancy and lower other tour revenues.

#### *Operating Income*

Operating income decreased \$3.7 million, or 24%, to \$11.8 million in 2016 compared to \$15.5 million in 2015. This decrease was primarily related to \$13.8 million higher operating expenses and a \$2.2 million decrease in other tour revenues, partially offset by the absence of merger-related costs of \$13.3 million that occurred in 2015. The higher operating expenses for 2016 were primarily related to additional personnel and public company costs and additional 2016 costs related to the accelerated depreciation for the *National Geographic Endeavour* described in Item 8 of this Annual Report in Note 2 – Summary of Significant Accounting Policies.

## Results of Operations – Natural Habitat Segment

### Comparison of Years Ended December 31, 2017 to December 31, 2016

#### *Tour Revenues*

Tour revenues increased \$15.2 million, or 44%, to \$49.7 million compared to \$34.5 million in 2016 due primarily to a full twelve months of operations in 2017.

#### *Operating Income*

Operating income increased \$1.3 million, or 58%, to \$3.5 million in 2017 compared to \$2.2 million in 2016 due primarily to a full twelve months of operations in 2017.

### Comparison of Years Ended December 31, 2016 to December 31, 2015

Natural Habitat reported \$34.5 million in tour revenues and \$2.2 million in operating income for the period from May 5, 2016, the acquisition date, to December 31, 2016.

## Adjusted EBITDA – Consolidated

The following table outlines the reconciliation to Net income and calculation of consolidated Adjusted EBITDA for the years ended December 31, 2017, 2016 and 2015. **The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.**

### Reconciliation of Net (Loss) Income to Adjusted EBITDA

#### Consolidated

(In thousands)	For the years ended December 31,		
	2017	2016*	2015
Net (loss) income	\$ (7,529)	\$ 5,059	\$ 19,742
Income tax expense (benefit)	10,002	(3,200)	(2,649)
Interest expense, net	9,736	10,146	10,901
Depreciation and amortization	17,351	18,420	11,645
(Gain) loss on foreign currency	(1,144)	720	40
(Gain) loss on transfer of assets	(454)	83	(7,502)
Other expense (income), net	133	1,173	(5,030)
Stock-based compensation	10,627	5,411	4,913
National Geographic fee amortization	2,907	2,907	1,397
Executive severance costs	1,409	-	-
Reorganization costs	451	-	-
Acquisition-related expenses	-	943	-
Merger-related expenses	-	-	13,344
<b>Adjusted EBITDA</b>	<b>43,489</b>	<b>41,662</b>	<b>46,801</b>
Impact of voyage cancellations	9,047	-	-
<b>Adjusted EBITDA excluding impact of voyage cancellations</b>	<b>\$ 52,536</b>	<b>\$ 41,662</b>	<b>\$ 46,801</b>

\* The 2016 Natural Habitat segment results represent activity from acquisition date of May 2016 through December 31, 2016.

The following tables outline the reconciliation for each segment from operating income to Adjusted EBITDA for the years ended December 31, 2017, 2016 and 2015:

### Reconciliation of Operating Income to Adjusted EBITDA

#### Lindblad Segment

(In thousands)	For the years ended December 31,		
	2017	2016	2015
Operating income	\$ 7,292	\$ 11,794	\$ 15,502
Depreciation and amortization	15,969	17,569	11,645
Stock-based compensation	10,627	5,411	4,913
National Geographic fee amortization	2,907	2,907	1,397
Executive severance costs	1,409	-	-
Reorganization costs	451	-	-
Acquisition-related expenses	-	943	-
Merger-related expenses	-	-	13,344
<b>Adjusted EBITDA</b>	<b>38,655</b>	<b>38,624</b>	<b>46,801</b>
Impact of voyage cancellations	9,047	-	-
<b>Adjusted EBITDA excluding impact of voyage cancellations</b>	<b>\$ 47,702</b>	<b>\$ 38,624</b>	<b>\$ 46,801</b>

## Reconciliation of Operating Income to Adjusted EBITDA

### Natural Habitat Segment

(In thousands)	For the years ended December 31,	
	2017	2016*
Operating income	\$ 3,452	\$ 2,187
Depreciation and amortization	1,382	851
<b>Adjusted EBITDA</b>	<b>\$ 4,834</b>	<b>\$ 3,038</b>

\* The 2016 Natural Habitat segment results represent activity from acquisition date of May 2016 through December 31, 2016.

The following tables set forth our Guest Metrics for the Lindblad segment. Please refer to our *Description of Certain Line Items* above for the specific definition by line item and segment. **The presentation of non-GAAP financial information should not be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.**

The following table sets forth our Available Guest Nights, Guest Nights Sold, Occupancy, Maximum Guests, Number of Guests and Voyages for the Lindblad segment for the years ended December 31, 2017, 2016 and 2015:

	For the years ended December 31,		
	2017	2016	2015
Available Guest Nights	186,719	181,990	184,366
Guest Nights Sold	163,256	164,423	169,303
Occupancy	87.4%	90.3%	91.8%
Maximum Guests	22,805	21,715	21,459
Number of Guests	20,140	19,735	19,824
Voyages	308	290	281

The following table shows the calculations of Gross Yield and Net Yield for the Lindblad segment for the years ended December 31, 2017, 2016 and 2015:

### Calculation of Gross Yield and Net Yield Lindblad Segment

(In thousands, except for Available Guest Nights, Gross and Net Yield)	For the years ended December 31,		
	2017	2016	2015
Guest ticket revenues	\$ 191,113	\$ 183,851	\$ 183,805
Other tour revenues	25,701	23,985	26,180
<b>Tour Revenues</b>	<b>216,814</b>	<b>207,836</b>	<b>209,985</b>
Less: Orion Insurance Proceeds	(2,273)	-	-
<b>Adjusted Tour Revenues</b>	<b>214,541</b>	<b>207,836</b>	<b>209,985</b>
Less: Commissions	(16,365)	(14,954)	(14,460)
Less: Other tour expenses	(14,325)	(15,253)	(16,496)
<b>Net Revenue</b>	<b>\$ 183,851</b>	<b>\$ 177,629</b>	<b>\$ 179,029</b>
Available Guest Nights	186,719	181,990	184,366
<b>Gross Yield</b>	<b>\$ 1,149</b>	<b>\$ 1,142</b>	<b>\$ 1,139</b>
<b>Net Yield</b>	<b>985</b>	<b>976</b>	<b>971</b>



The following table shows the calculations of Gross Cruise Cost per Available Guest Night and Net Cruise Costs per Available Guest Night for the Lindblad segment for the years ended December 31, 2017, 2016 and 2015:

(In thousands, except for Available Guest Nights, Gross and Net Cruise Cost)	For the years ended December 31,		
	2017	2016	2015
Cost of tours	\$ 105,044	\$ 96,505	\$ 95,417
Plus: Selling and marketing	38,429	36,356	35,083
Plus: General and administrative	50,082	45,612	38,994
Plus: Merger-related expenses	-	-	13,344
<b>Gross Cruise Cost</b>	<b>193,555</b>	<b>178,473</b>	<b>182,838</b>
Less: Commission expense	(16,365)	(14,954)	(14,460)
Less: Other tour expenses	(14,325)	(15,253)	(16,496)
<b>Net Cruise Cost</b>	<b>162,865</b>	<b>148,266</b>	<b>151,882</b>
Less: Fuel expense	(7,013)	(7,138)	(9,004)
<b>Net Cruise Cost Excluding Fuel</b>	<b>155,852</b>	<b>141,128</b>	<b>142,878</b>
<b>Non-GAAP Adjustments:</b>			
Stock-based compensation	(10,627)	(5,411)	(4,913)
National Geographic fee amortization	(2,907)	(2,907)	(1,397)
Executive severance costs	(1,409)	-	-
Acquisition-related expenses	-	(943)	-
Merger-related expenses	-	-	(13,344)
<b>Adjusted Net Cruise Cost Excluding Fuel</b>	<b>\$ 140,909</b>	<b>\$ 131,867</b>	<b>\$ 123,224</b>
<b>Adjusted Net Cruise Cost</b>	<b>\$ 147,922</b>	<b>\$ 139,005</b>	<b>\$ 132,228</b>
<b>Available Guest Nights</b>	<b>186,719</b>	<b>181,990</b>	<b>184,366</b>
Gross Cruise Cost per Available Guest Night	\$ 1,037	\$ 981	\$ 992
Net Cruise Cost per Available Guest Night	872	815	824
Net Cruise Cost Excl. Fuel per Available Guest Night	835	775	775
Adj. Net Cruise Cost Excl. Fuel per Avail. Guest Night	755	725	668
<b>Adjusted Net Cruise Cost per Available Guest Night</b>	<b>792</b>	<b>764</b>	<b>717</b>

## Liquidity and Capital Resources

### Sources and Uses of Cash for the Years Ended December 31, 2017, 2016 and 2015

*Net cash provided by operating activities* was \$52.9 million in 2017 compared to \$31.4 million in 2016. The \$21.5 million increase was primarily due to an increase of \$20.7 million in unearned revenues. Net cash provided by operating activities decreased by \$8.9 million in 2016 to \$31.4 million from \$40.3 million in 2015 primarily due to merger-related costs, changes in the liabilities for unearned passenger revenue, and changes in accounts payable and accrued expenses, offset by increases related to changes in prepaid expenses.

*Net cash used in investing activities* was \$78.5 million in 2017 compared to \$86.4 million in 2016. The \$7.9 million decrease was primarily related to the \$9.9 million net cash used for the acquisition of Natural Habitat in 2016 offset by a \$4.6 million increase in purchases of property and equipment in 2017 primarily related to growth in capital expenditures for our three newbuild vessels. Net cash used in investing activities was \$86.4 million in 2016 compared to \$81.5 million in 2015. The \$4.9 million increase in cash used in investing activities was primarily related to an increase in purchases of property and equipment related to growth capital expenditures for our two newbuild coastal vessels and the \$9.9 million net cash used for the acquisition of Natural Habitat in 2016 as compared to the purchase in May 2015 of our investment in CFMF.

*Net cash (used in) provided by financing activities* was \$13.4 million in 2017 compared to net cash used in financing activities of \$16.4 million in 2016. The \$3.0 million decrease was primarily related to a decrease of \$4.2 million in repurchases of shares and warrants. The difference in cash used in financing activities of \$16.4 million in 2016 as compared to \$208.5 million of cash provided by financing activities in 2015 was primarily related to the \$134.9 million net proceeds from the issuance of long-term debt in 2015, net of debt repayments and the \$96.8 million in net proceeds from the merger.

### Contractual Obligations

As of December 31, 2017, our contractual obligations were as follows:

(In thousands)	Payments due by period				
	Total	2018	2019-2020	2021-2022	After 5 years
<b>Operating Activities:</b>					
Operating lease obligations	\$ 8,074	\$ 936	\$ 2,248	\$ 2,153	\$ 2,737
Charter commitments	14,575	9,334	5,241	-	-
Other long-term liabilities	684	-	-	-	684
<b>Investing activities:</b>					
Purchase obligations - Fleet expansion	141,164	33,164	108,000	-	-
<b>Financing Activities:</b>					
Long-term debt obligations	173,150	1,750	6,025	165,375	-
Interest on long-term debt	39,997	11,888	23,156	4,953	-
<b>Total</b>	<b>\$ 377,644</b>	<b>\$ 57,072</b>	<b>\$ 144,670</b>	<b>\$ 172,481</b>	<b>\$ 3,421</b>

### Funding Needs and Sources

We have historically relied on a combination of cash flows provided by operations and the incurrence of additional debt and/or the refinancing of existing debt to fund obligations. Similar to others in the industry, we have historically operated with a meaningful working capital deficit. This historical deficit is mainly attributable to the fact that, under our business model, a vast majority of guest ticket receipts are collected in advance of the applicable expedition date. These advance passenger receipts remain a current liability until the expedition date and the cash generated from these advance receipts is used interchangeably with cash on hand from other cash from operations. The cash received as advanced receipts can be used to fund operating expenses for the applicable future expeditions or otherwise, pay down credit facilities, invest in long-term investments or any other use of cash. We had a working capital deficit of \$12.7 million as of December 31, 2017. As a result of the proceeds from the Restated Credit Facility and the merger, we had a net working capital surplus of \$47.1 million as of December 31, 2016. As of December 31, 2017, we had \$96.4 million in cash and cash equivalents, excluding restricted cash.

In November 2015, we announced that our Board of Directors authorized a \$20.0 million stock and warrant repurchase plan (“Repurchase Plan”). In November 2016, our Board of Directors authorized a \$15.0 million increase to the Repurchase Plan, to \$35.0 million. This Repurchase Plan authorizes us to purchase from time to time our outstanding common stock and warrants through open market repurchases in compliance with Rule 10b-18 of the Securities Exchange Act of 1934, as amended, and/or in privately negotiated transactions based on market and business conditions, applicable legal requirements and other factors. Any shares and warrants purchased will be retired. The Repurchase Plan has no time deadline and will continue until otherwise modified or terminated at the sole discretion of our Board of Directors at any time. As of December 31, 2017, under this Repurchase Plan, we have cumulatively purchased 5,443,480 warrants for \$14.0 million and 855,776 shares of common stock for \$8.0 million, leaving \$13.0 million authorized to be used to purchase our outstanding common stock and warrants pursuant to the Repurchase Plan.

In December 2015, we signed a definitive agreement for the purchase of the *National Geographic Endeavour II* to be used in our operations in the Galápagos Islands. The purchase price of \$18.0 million was paid on April 25, 2016 when we took possession of the ship. We spent an additional \$16.5 million in renovation costs, funded through cash on hand, and deployed the ship in the fourth quarter of 2016.

The company paid Ice Floe, LLC \$53.6 million related to the *National Geographic Quest* and the vessel was delivered in July of 2017. The Company amended the agreement for the second vessel, the *National Geographic Venture*, in October 2017. The current contract price is \$57.0 million and the vessel is scheduled to be completed in the fourth quarter of 2018, subject to extension for certain events, such as change orders. As of December 31, 2017, the Company has paid Ice Floe, LLC \$23.8 million related to the *National Geographic Venture*. The Company may terminate the applicable Agreement in the event the Builder fails to deliver the vessel within one hundred eighty days of the applicable due date or the Builder becomes insolvent or otherwise bankrupt. The Agreement also contains customary representations, warranties, covenants and indemnities.

In November 2017, the Company executed a contract to build a polar ice class vessel targeted to be completed in January 2020, with potential accelerated delivery to November 2019, with a total purchase price of 1,066.0 million Norwegian Krone (NOK). Subsequently, LME exercised its right to make payments in United States Dollars, which resulted in a purchase price of \$134.6 million, including hedging costs. The first twenty percent of the purchase price was paid shortly after execution of the Agreement with the remaining eighty percent due upon delivery and acceptance of the vessel. The polar ice class contract includes options to build two additional ice class vessels, the first for delivery twelve months after the initial vessel and the second for delivery twelve months thereafter. The new build process exposes us to certain risks typically associated with new ship construction, which we manage through detailed planning and close monitoring by our internal marine team. The purchase of the ships has been funded through a combination of cash available on our balance sheet, our revolving credit facility and excess cash flows generated by our existing operations.

As of December 31, 2017, we had \$173.2 million in long-term debt obligations, including the current portion of long-term debt and excluding deferred financing costs. We believe that our cash on hand, our revolving credit facility (described below) and expected future operating cash inflows will be sufficient to fund operations, debt service requirements, capital expenditures for our newbuilds and other assets and acquisitions, and our Repurchase Plan. However, there can be no assurance that cash flows from operations will be available in the future to fund future obligations.

## ***Debt Facilities***

### ***Revolving Credit Facility***

On May 8, 2015, we entered into a credit agreement with Credit Suisse A.G. (“Credit Suisse”) as Administrative Agent and Collateral Agent (“Credit Agreement”) for a \$150.0 million facility, which was subsequently increased to \$175.0 million upon syndication on July 8, 2015 (“Amended Credit Agreement”), in the form of a \$155.0 million U.S. term loan (the “U.S. Term Loan”) and a \$20.0 million Cayman term loan for the benefit of our foreign subsidiaries (the “Cayman Loan,” and together with the U.S. Term Loan, the “Loans”). The net proceeds from the Loans, net of discounts, fees and expenses, were approximately \$164.1 million. On March 7, 2016, we entered into a second amended and restated credit agreement with Credit Suisse as Administrative Agent and Collateral Agent (“Restated Credit Agreement”), amending our existing senior secured credit facility with Credit Suisse (“Restated Credit Facility”). The Restated Credit Facility provides for our existing \$175.0 million senior secured first lien term loan facility and a new \$45.0 million senior secured incremental revolving credit facility (“Revolving Credit Facility”), which includes a \$5.0 million letter of credit subfacility. Our obligations under the Restated Credit Facility are secured by substantially all of our assets. As of December 31, 2017 our principal balance on the Loans was \$170.6 million and we had not drawn on our Restated Credit Facility.

The Loans bear interest at an adjusted ICE Benchmark Administration LIBO Rate (subject to a floor of 1.00%) plus a spread of 4.50%. The Loans mature on May 8, 2021. Borrowings under the Revolving Credit Facility bear interest at an adjusted ICE Benchmark Administration LIBO Rate plus a spread of 4.00%, or, at our option, an alternative base rate plus a spread of 3.00%. We are also required to pay a 0.50% annual commitment fee on undrawn amounts under the Revolving Credit Facility, which matures on May 8, 2020.

The Restated Credit Agreement contains financial covenants that, among other things, (i) require us to maintain a total net leverage ratio (defined as on any date of determination, the ratio of total debt on such date, less up to \$25.0 million of the unrestricted cash and cash equivalents to Adjusted EBITDA (as defined in the Amended Credit Agreement) for the trailing 12-month period) of 4.75 to 1.00 initially, with 0.25 equal reductions annually thereafter until March 31, 2020, when the total net leverage ratio shall be 3.50 to 1.00 thereafter; (ii) limit the amount of indebtedness we may incur generally and specifically for intercompany debt, debt incurred to finance acquisitions and improvements, for capital and synthetic lease obligations, for standby letters of credit, and in connection with refinancings; (iii) limit the amount we may spend in connection with certain types of investments; and (iv) require the delivery of certain periodic financial statements and an operating budget. As of December 31, 2017, the required net leverage ratio was 4.25 to 1, and we were in compliance with the financial covenants.

### ***Senior Secured Credit Agreement***

On January 8, 2018, Lindblad Expeditions Holdings, Inc. (the “Company”) and its indirect, wholly-owned subsidiary (the “Borrower”) entered into a senior secured credit agreement (the “Export Credit Agreement”) with Citibank, N.A., London Branch (“Citi”) and Eksportkreditt Norge AS (together with Citi, the “Lenders”). Pursuant to the Export Credit Agreement, the Lenders have agreed to make available to the Borrower, at the Borrower’s option and subject to certain conditions, a loan in an aggregate principal amount not to exceed \$107.7 million for the purpose of providing financing for up to 80% of the purchase price of the Company’s new expedition ice-class cruise vessel targeted to be completed in January 2020. Seventy percent of the loan will be guaranteed by Garantiinstituttet for Eksportkreditt, the official export credit agency of Norway. If drawn upon, the loan will be made at the time of delivery of the vessel.

## **Critical Accounting Policies and Estimates**

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting periods and the related disclosures in the consolidated financial statements and accompanying footnotes. Out of our significant accounting policies, which are described in Note 2 – Summary of Significant Accounting Policies of our consolidated financial statements included elsewhere in this Form 10-K, certain accounting policies are deemed “critical,” as they require management’s highest degree of judgment, estimates and assumptions. While management believes its judgments, estimates and assumptions are reasonable, they are based on information presently available and actual results may differ significantly from those estimates under different assumptions and conditions.

### ***Ship Accounting***

Ships, including ship improvements and ships under construction, are our most significant assets, comprising over 75% of our non-current assets at December 31, 2017. We make several critical accounting estimates with respect to our ship accounting. Given the very large and complex nature of our ships, our accounting estimates related to ships and determinations of ship improvement costs to be capitalized require considerable judgment and are inherently uncertain.

We have to estimate the useful life of each of our ships as well as their residual values. We account for ship improvement costs by capitalizing those costs we believe add value to our ships and have a useful life greater than one year and depreciate those improvements over its estimated remaining useful life. The costs of repairs and maintenance, including minor improvement costs and dry-dock expenses, are charged to expense as incurred.

If materially different conditions existed, or if we materially changed our assumptions of ship useful lives and residual values, our depreciation expense, loss on retirement of ship components and net book value of our ships would be materially different. In addition, if we change our assumptions in making our determinations as to whether improvements to a ship add value, the amounts we expense each year as repair and maintenance expense could increase, which would be partially offset by a decrease in depreciation expense, resulting from a reduction in capitalized costs. We believe we have made reasonable estimates for ship accounting purposes.

### ***Stock-Based Compensation***

We estimate the fair value of share-based payment awards on the date of the grant using an option-pricing model and restricted share values and recognize the expense over the required service periods.

For recording our stock-based compensation expense for service-based options, we have chosen to use:

- the straight-line method of allocating compensation cost for service-based options;
- the Black-Scholes option pricing formula for time-based options;
- the simplified method to calculate the expected term for options;
- an estimate of expected volatility based on the historical volatility of our share price; and
- an estimate for expected forfeitures.

The three factors which most affect stock-based compensation are the fair value of the common stock underlying the stock options, the vesting term of the options and the volatility of such fair value of the underlying common stock. If our estimates are too high or too low, we may overstate or understate our stock-based compensation expense.

### ***Income Taxes***

To measure deferred tax assets and liabilities, we provide a valuation allowance against deferred tax assets if, based upon the weight of available evidence, we do not believe it is “more-likely-than-not” that some or all of the deferred tax assets will be realized. We will continue to evaluate the deferred tax asset valuation allowance balances in all of our foreign and U.S. companies to determine the appropriate level of valuation allowances. While we believe that the amount of the recorded financial statement benefits and tax reserves reflect the more-likely-than-not criteria, it is possible that the ultimate outcome of current or future examinations may result in a reduction to the tax benefits previously recorded on our consolidated financial statements or may exceed the current income tax reserves in amounts that could be material.

### ***Valuation of Long-Lived Assets***

We review our long-lived assets, principally our vessels and operating rights, for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Upon the occurrence of a triggering event, the assessment of possible impairment is based on our ability to recover the carrying value of our asset, which is determined by using the asset's estimated undiscounted future cash flows. If these estimated undiscounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess, if any, of the asset's carrying value over its estimated fair value. A significant amount of judgment is required in estimating the future cash flows and fair values of our vessels and operating rights.

### ***Off-Balance Sheet Arrangements***

We did not have any off-balance sheet arrangements as of December 31, 2017 and 2016.

### ***Future Application of Accounting Standards***

Refer to Item 8 of this Annual Report Note 2 – Summary of Significant Accounting Policies for further information on *Recent Accounting Pronouncements*.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to market risk in the normal course of our business, primarily due to our international operations. The primary exposure relates to the exchange rate fluctuations between our U.S. dollar functional reporting currency and other currencies. This exposure includes trade receivables denominated in currencies other than our functional currency. To date, fluctuations in exchange rates have not had a material impact on our results of operations.

In addition, we have ship maintenance contracts and may, in the future, have ship construction contracts, which are denominated in currencies other than the U.S. dollar. While we have entered into, and may, in the future, enter into, forward contracts and collar options to manage a portion of the currency risk associated with these contracts, we are, or may be, exposed to fluctuations in the exchange rates for the portions of the contracts that have not been hedged. Additionally, if a shipyard is unable to perform under such a contract, any foreign currency forward contracts that were entered into to manage the currency risk would need to be terminated.

Due to specific geographies in which we operate and the cost of providing access to fuel in remote destinations, we have historically not experienced significant fluctuations in fuel costs with changes in world fuel commodity prices and have not historically hedged our fuel purchases.

We are also exposed to market risk from changes in interest rates charged on debt. The impact on earnings is subject to change as a result of movements in market rates. A hypothetical increase in interest rates of 100 basis points would result in potential reduction of future pre-tax earnings of approximately \$1.7 million per year for the \$170.6 million outstanding under the Restated Credit Agreement as of December 31, 2017. Our ability to meet our debt service obligations will be dependent upon our future performance which, in turn, is subject to future economic conditions and to financial, business and other factors.

### **Item 8. Financial Statements and Supplementary Data**

The consolidated financial statements and related financial statement schedules required under Item 8 are included beginning on page F-1 of this Report.

### **Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

Under the supervision and with the participation of our principal executive officer and principal financial officer, our management conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission ("SEC"). Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2017.

## **Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting, as of December 31, 2017, using the criteria described in Internal Control-Integrated Framework (2013) issued by the COSO. Based on our evaluation under the updated internal control framework in Internal Control-Integrated Framework (2013), management concluded that our internal control over financial reporting was effective as of December 31, 2017.

As long as we qualify as an "emerging growth company" as defined by the Jumpstart our Business Startups Act of 2012, we will not be required to obtain an auditor's attestation report on our internal controls in future Annual Reports on Form 10-K as otherwise required by Section 404(b) of the Sarbanes-Oxley Act. Accordingly, our independent registered public accounting firm did not perform an audit of our internal control over financial reporting for the fiscal year ended December 31, 2017.

### ***Changes in Internal Control Over Financial Reporting***

There was no change in the internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

### ***Inherent Limitations on Effectiveness of Controls***

We do not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

### **Item 9B. Other Information**

None.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

Information concerning our executive officers, directors and corporate governance is incorporated herein by reference to our Definitive Proxy Statement to be filed with the Securities and Exchange Commission (“SEC”) within 120 days after the end of our fiscal year covered by this Form 10-K with respect to our 2018 Annual Meeting of Shareholders.

#### Code of Conduct and Ethics

We have adopted Codes of Business Conduct and Ethics that applies to our employees, including our principal executive officer, principal financial officer and persons performing similar functions, and our directors. Our codes of ethics and business conduct can be found posted in the investor relations sections on our website at <http://www.expeditions.com>. None of the websites referenced in this Annual Report on or the information contained therein is incorporated herein by reference. Future material amendments or waivers relating to the Code of Ethics will be disclosed on our website referenced in this paragraph within four business days following the date of such amendment or waiver.

### Item 11. Executive Compensation

Information is incorporated herein by reference to our Definitive Proxy Statement to be filed with the SEC within 120 days after the end of our fiscal year covered by this Form 10-K with respect to our 2018 Annual Meeting of Shareholders.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Information is incorporated herein by reference to our Definitive Proxy Statement to be filed with the SEC within 120 days after the end of our fiscal year covered by this Form 10-K with respect to our 2018 Annual Meeting of Shareholders.

#### Securities Authorized for Issuance under Equity Compensation Plans

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	2,041,939 <sup>(2)</sup>	N/A	2,102,194 <sup>(3)</sup>

(1) Information is as of December 31, 2017.

(2) Includes an aggregate of 1,086,134 unvested shares of restricted stock and restricted stock units.

(3) Consists of shares available for issuance under our 2016 CEO Allocation Plan and our 2015 Long-Term Incentive Plan.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

Information is incorporated herein by reference to our Definitive Proxy Statement to be filed with the SEC within 120 days after the end of our fiscal year covered by this Form 10-K with respect to our 2018 Annual Meeting of Shareholders.

### Item 14. Principal Accountant Fees and Services

Information is incorporated herein by reference to our Definitive Proxy Statement to be filed with the SEC within 120 days after the end of our fiscal year covered by this Form 10-K with respect to our 2018 Annual Meeting of Shareholders.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules**

(a) The following documents are filed as part of this Form 10-K or incorporated herein by reference:

- (1) Consolidated Financial Statements.

See Index to Consolidated Financial Statements on page F-1.

- (2) Financial Statement Schedules.

None.

- (3) Exhibits.

The following exhibits are filed or incorporated by reference as part of this Form 10-K.

Number	Description	Included	Form	Filing Date
2.1	<a href="#">Stock Purchase Agreement, dated as of May 4, 2016, by and among Lindblad Expeditions, LLC, Lindblad Expeditions Holdings, Inc., Gaiam, Inc., Gaiam Travel, Inc., and Ben Bressler.</a>	By Reference	8-K	May 5, 2016
3.1	<a href="#">Second Amended and Restated Certificate of Incorporation.</a>	By Reference	DEFM 14-A	June 24, 2015
3.2	<a href="#">Bylaws.</a>	By Reference	S-1	February 15, 2011
4.1	<a href="#">Specimen Common Stock Certificate.</a>	By Reference	8-K	July 10, 2015
4.2	<a href="#">Specimen Warrant Certificate.</a>	By Reference	8-K	July 10, 2015
4.3	<a href="#">Warrant Agreement.</a>	By Reference	8-K	May 15, 2013
10.1	<a href="#">Letter Agreement signed by each of Capitol Acquisition Management 2 LLC and Mark D. Ein.</a>	By Reference	8-K	May 15, 2013
10.2	<a href="#">Letter Agreement signed by L. Dyson Dryden.</a>	By Reference	8-K	May 15, 2013
10.3	<a href="#">Form of Letter Agreement signed by each of Lawrence Calcano, Piyush Sodha and Richard C. Donaldson</a>	By Reference	8-K	May 15, 2013
10.4	<a href="#">Investment Management Trust Agreement between Continental Stock Transfer &amp; Trust Company and the Company.</a>	By Reference	8-K	May 15, 2013
10.5	<a href="#">Stock Escrow Agreement between the Company, Continental Stock Transfer &amp; Trust Company and each of Capitol Acquisition Management 2 LLC, Lawrence Calcano, Richard C. Donaldson, Piyush Sodha and L. Dyson Dryden.</a>	By Reference	8-K	May 15, 2013
10.6	<a href="#">Registration Rights Agreement among the Company and each of Capitol Acquisition Management 2 LLC, Lawrence Calcano, Richard C. Donaldson, Piyush Sodha and L. Dyson Dryden.</a>	By Reference	8-K	May 15, 2013
10.7	<a href="#">Sponsor Warrants Purchase Agreement among the Company, Graubard Miller and each of Capitol Acquisition Management 2 LLC, Lawrence Calcano, Richard C. Donaldson, Piyush Sodha and L. Dyson Dryden.</a>	By Reference	8-K	May 15, 2013



<b>Number</b>	<b>Description</b>	<b>Included</b>	<b>Form</b>	<b>Filing Date</b>
10.8	<a href="#"><u>2015 Long-Term Incentive Plan.*</u></a>	By Reference	DEFM 14-A	June 24, 2015
10.9	<a href="#"><u>Credit Agreement, dated as of May 8, 2015, among Lindblad Expeditions, Inc. and Lindblad Maritime Enterprises, Ltd. as borrowers, the lenders party thereto, and Credit Suisse AG, as Administrative Agent and Collateral Agent.</u></a>	By Reference	8-K	July 10, 2015
10.10	<a href="#"><u>Amended and Restated Credit Agreement, dated as of July 8, 2015, among Lindblad Expeditions, Inc. and Lindblad Maritime Enterprises, Ltd. as borrowers, the lenders from time to time party thereto, and Credit Suisse AG, as Administrative Agent and Collateral Agent.</u></a>	By Reference	8-K	July 10, 2015
10.11	<a href="#"><u>Non-Competition Agreement between Sven-Olof Lindblad and the Company.</u></a>	By Reference	8-K	July 10, 2015
10.12	<a href="#"><u>Employment Agreement between Ian Rogers and the Company and Assignment and Assumption of Option Award Agreement.*</u></a>	By Reference	8-K	July 10, 2015
10.13	<a href="#"><u>Employment Agreement between Trey Byus and the Company and Assignment and Assumption of Option Award Agreement.*</u></a>	By Reference	8-K	July 10, 2015
10.14	<a href="#"><u>Registration Rights Agreement between the shareholders of Lindblad Expeditions, Inc. and Capitol Acquisitions Corp. II.</u></a>	By Reference	8-K	July 10, 2015
10.15	<a href="#"><u>Alliance and License Agreement, dated as of December 12, 2011, by and between National Geographic Society and Lindblad Expeditions, Inc.†</u></a>	By Reference	8-K	September 2, 2015
10.16	<a href="#"><u>Amendment to Alliance and License Agreement, dated as of November 20, 2014, by and between National Geographic Society and Lindblad Expeditions, Inc.†</u></a>	By Reference	8-K	July 10, 2015
10.17	<a href="#"><u>Second Amendment to Alliance and License Agreement, dated as of March 9, 2015, by and between National Geographic Society and Lindblad Expeditions, Inc.†</u></a>	By Reference	8-K	July 10, 2015
10.18	<a href="#"><u>Tour Operator Agreement, dated as of December 12, 2011, by and between National Geographic Society and Lindblad Expeditions, Inc.†</u></a>	By Reference	8-K	July 10, 2015
10.19	<a href="#"><u>Amendment to Tour Operator Agreement, dated as of November 20, 2014, by and between National Geographic Society and Lindblad Expeditions, Inc.†</u></a>	By Reference	8-K	July 10, 2015
10.20	<a href="#"><u>Second Amendment to Tour Operator Agreement, dated as of March 9, 2015, by and between National Geographic Society and Lindblad Expeditions, Inc.†</u></a>	By Reference	8-K	July 10, 2015
10.21	<a href="#"><u>Lindblad 2012 Stock Incentive Plan.*</u></a>	By Reference	8-K	July 10, 2015
10.22	<a href="#"><u>Form of Executive Officer Stock Option Award Agreement.*</u></a>	By Reference	8-K	October 30, 2015
10.23	<a href="#"><u>Employment Agreement by and between Lindblad Expeditions Holdings, Inc. and Tyler Skarda.*</u></a>	By Reference	8-K	December 2, 2015

Number	Description	Included	Form	Filing Date
10.24	<a href="#">Second Amended and Restated Credit Agreement, dated as of March 7, 2016, among Lindblad Expeditions, Inc. and Lindblad Maritime Enterprises, Ltd. as borrowers, the lenders from time to time party thereto, and Credit Suisse AG, as Administrative Agent and Collateral Agent, Citibank, N.A. as Syndication Agent and SunTrust Bank as Documentation Agent.</a>	By Reference	8-K	March 11, 2016
10.25	<a href="#">Vessel Construction Agreement (Hull No. S189) between Lindblad Expeditions, LLC and Ice Floe, LLC, dated as of December 2, 2015.†</a>	By Reference	10-K	March 14, 2016
10.26	<a href="#">Vessel Construction Agreement (Hull No. S188) between Lindblad Expeditions, LLC and Ice Floe, LLC, dated as of December 2, 2015.†</a>	By Reference	10-K	March 14, 2016
10.27	<a href="#">Form of Non-Employee Director Restricted Stock Award Agreement.</a>	By Reference	10-K	March 14, 2016
10.28	<a href="#">Non-Employee Director Deferred Compensation Plan.</a>	By Reference	10-K	March 14, 2016
10.29	<a href="#">2016 CEO Share Allocation Plan.*</a>	By Reference	DEF 14-A	April 15, 2016
10.30	<a href="#">Employment Agreement by and between Lindblad Expeditions Holdings, Inc. and Philip Auerbach.*</a>	By Reference	8-K	May 3, 2016
10.31	<a href="#">Employment Agreement by and between Natural Habitat, Inc., Lindblad Expeditions Holdings, Inc. and Ben Bressler.*</a>	By Reference	8-K	May 5, 2016
10.32	<a href="#">Employment Agreement by and between Lindblad Expeditions Holdings, Inc. and Craig Felenstein.*</a>	By Reference	8-K	July 27, 2016
10.33	<a href="#">Contribution Agreement by and between Lindblad Expeditions Holdings, Inc. and Sven-Olof Lindblad.</a>	By Reference	10-Q	August 8, 2016
10.34	<a href="#">Amendment No. 3 to Alliance and License Agreement with National Geographic.††</a>	By Reference	10-K	March 7, 2017
10.35	<a href="#">Amendment No. 4 to Alliance and License Agreement with National Geographic. ††</a>	Herewith		
10.36	<a href="#">Shipbuilding Contract between Ulstein Verft AS and Lindblad Maritime Enterprises, Ltd. ††</a>	Herewith		
10.37	<a href="#">Lindblad Expeditions Holdings, Inc. Employee Incentive Plan*</a>	By Reference	8-K	April 3, 2017
10.38	<a href="#">Form of Restricted Stock Unit Agreement*</a>	By Reference	8-K	April 3, 2017
10.39	<a href="#">Form of Performance Share Unit Agreement*</a>	By Reference	8-K	April 3, 2017
21.1	<a href="#">Subsidiaries.</a>	Herewith		
23.1	<a href="#">Consent of Marcum LLP.</a>	Herewith		
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	Herewith		
31.2	<a href="#">Certification of Principal Financial and Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	Herewith		
32.1	<a href="#">Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	Herewith		
32.2	<a href="#">Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	Herewith		
101.INS	XBRL Instance Document	Herewith		
101.SCH	XBRL Taxonomy Extension Schema	Herewith		
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	Herewith		
101.DEF	XBRL Taxonomy Extension Definition Linkbase	Herewith		
101.LAB	XBRL Taxonomy Extension Label Linkbase	Herewith		
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	Herewith		

\* Management compensatory agreement.

† Certain portions of the exhibit have been omitted pursuant to a confidential treatment order. An unredacted copy of the exhibit has been filed separately with the United States Securities and Exchange Commission pursuant to the request for confidential treatment.

†† Certain portions of the exhibit have been omitted pursuant to a request for confidential treatment. An unredacted copy of the exhibit has been filed separately with the United States Securities and Exchange Commission pursuant to a request for confidential treatment.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on March 2, 2018.

**LINDBLAD EXPEDITIONS HOLDINGS, INC.**  
(Registrant)

By: /s/ Sven-Olof Lindblad  
Sven-Olof Lindblad  
Chief Executive Officer and President  
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Sven-Olof Lindblad</u> Sven-Olof Lindblad	Chief Executive Officer and Director (Principal Executive Officer)	March 2, 2018
<u>/s/ Craig I. Felenstein</u> Craig I. Felenstein	Chief Financial Officer (Principal Financial and Accounting Officer)	March 2, 2018
<u>/s/ Bernard W. Aronson</u> Bernard W. Aronson	Director	March 2, 2018
<u>/s/ Elliott Bisnow</u> Elliott Bisnow	Director	March 2, 2018
<u>/s/ L. Dyson Dryden</u> L. Dyson Dryden	Director	March 2, 2018
<u>/s/ Mark D. Ein</u> Mark D. Ein	Chairman of the Board	March 2, 2018
<u>/s/ Daniel J. Hanrahan</u> Daniel J. Hanrahan	Director	March 2, 2018
<u>/s/ John M. Fahey Jr.</u> John M. Fahey Jr.	Director	March 2, 2018
<u>/s/ Catherine B. Reynolds</u> Catherine B. Reynolds	Director	March 2, 2018

**LINDBLAD EXPEDITIONS HOLDINGS, INC.**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the  
Board of Directors and Shareholders  
of Lindblad Expeditions Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Lindblad Expeditions Holdings, Inc. and Subsidiaries (the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity and cash flows for the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years ended December 31, 2017, 2016 and 2015, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

Marcum LLP

/s/ Marcum LLP

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We have served as the Company's auditor since 2015.

Melville, NY  
March 2, 2018

**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
(In thousands, except share and per share data)

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 96,443	\$ 135,416
Restricted cash and marketable securities	7,057	9,015
Inventories	1,794	1,665
Marine operating supplies	5,045	4,142
Prepaid expenses and other current assets	21,351	20,782
Total current assets	131,690	171,020
Property and equipment, net	250,952	186,236
Goodwill	22,105	22,105
Intangibles, net	9,554	11,132
Other long-term assets	10,047	13,090
Deferred tax assets	-	4,118
Total assets	\$ 424,348	\$ 407,701
<b>LIABILITIES</b>		
Current Liabilities:		
Unearned passenger revenues	\$ 112,238	\$ 91,501
Accounts payable and accrued expenses	30,422	30,662
Long-term debt - current	1,750	1,750
Total current liabilities	144,410	123,913
Long-term debt, less current portion	164,186	164,128
Deferred tax liabilities	2,444	-
Other long-term liabilities	684	681
Total liabilities	311,724	288,722
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>REDEEMABLE NONCONTROLLING INTEREST</b>		
	6,302	5,170
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.0001 par value, 1,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$0.0001 par value, 200,000,000 shares authorized; 45,427,030 and 45,659,762 issued; 44,787,608 and 45,470,219 outstanding as of December 31, 2017 and 2016, respectively	5	5
Additional paid-in capital	42,498	43,097
Retained earnings	63,819	70,707
Total stockholders' equity	106,322	113,809
Total liabilities, stockholders' equity and redeemable noncontrolling interest	\$ 424,348	\$ 407,701

The accompanying notes are an integral part of these consolidated financial statements.

**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**

**Consolidated Statements of Operations**

(In thousands, except share and per share data)

	For the years ended December 31,		
	2017	2016	2015
Tour revenues	\$ 266,504	\$ 242,346	\$ 209,985
Cost of tours	135,526	118,977	95,417
Gross profit	130,978	123,369	114,568
Operating expenses:			
General and administrative	60,529	51,896	38,994
Selling and marketing	42,354	39,072	35,083
Depreciation and amortization	17,351	18,420	11,645
Merger-related expenses	-	-	13,344
Total operating expenses	120,234	109,388	99,066
Operating income	10,744	13,981	15,502
Other (expense) income:			
Interest expense, net	(9,736)	(10,146)	(10,901)
Gain (loss) on foreign currency	1,144	(720)	(40)
Gain (loss) on transfer of assets	454	(83)	7,502
Other (expense) income	(133)	(1,173)	5,030
Total other (expense) income	(8,271)	(12,122)	1,591
Income before income taxes	2,473	1,859	17,093
Income tax expense (benefit)	10,002	(3,200)	(2,649)
Net (loss) income	\$ (7,529)	\$ 5,059	\$ 19,742
Net income attributable to noncontrolling interest	1,132	195	-
Net (loss) income available to common stockholders	\$ (8,661)	\$ 4,864	\$ 19,742
Weighted average shares outstanding			
Basic	44,576,912	45,649,971	44,917,829
Diluted	44,576,912	46,456,921	45,575,387
Net (loss) income per share available to common stockholders			
Basic	\$ (0.19)	\$ 0.11	\$ 0.44
Diluted	\$ (0.19)	\$ 0.10	\$ 0.43

The accompanying notes are an integral part of these consolidated financial statements.

**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Stockholders' Equity**  
(In thousands, except share data)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Shares	Amount			
<b>Balance as of December 31, 2014</b>	<b>44,717,759</b>	<b>\$ 4</b>	<b>\$ 21,461</b>	<b>\$ 46,101</b>	<b>\$ 67,567</b>
Stock-based compensation	-	-	4,913	-	4,913
CFMF transaction cancellation of warrant	-	-	(83,467)	-	(83,467)
Obligation to repurchase shares of common stock	-	-	4,966	-	4,966
Merger recapitalization	-	-	200,558	-	200,558
Payments to stockholders for merger	-	-	(90,000)	-	(90,000)
Issuance of stock for equity compensation plans	507,122	1	(4,880)	-	(4,880)
Repurchase of warrants	-	-	(5,478)	-	(5,478)
Net income	-	-	-	19,742	19,742
<b>Balance as of December 31, 2015</b>	<b>45,224,881</b>	<b>5</b>	<b>48,073</b>	<b>65,843</b>	<b>113,921</b>
Stock-based compensation	199,044	-	5,411	-	5,411
Issuance of stock for equity compensation plans	280,347	-	(2,694)	-	(2,694)
Repurchase of shares and warrants	(308,718)	-	(10,343)	-	(10,343)
Acquisition of Natural Habitat, Inc.	264,208	-	2,650	-	2,650
Net income	-	-	-	4,864	4,864
<b>Balance as of December 31, 2016</b>	<b>45,659,762</b>	<b>5</b>	<b>43,097</b>	<b>70,707</b>	<b>113,809</b>
Stock-based compensation	-	-	10,627	-	10,627
Issuance of stock for equity compensation plans	314,326	-	(5,034)	-	(5,034)
Repurchase of shares and warrants	(547,058)	-	(6,192)	-	(6,192)
Cumulative effect of change in accounting principle	-	-	-	1,773	1,773
Net loss	-	-	-	(8,661)	(8,661)
<b>Balance as of December 31, 2017</b>	<b>45,427,030</b>	<b>\$ 5</b>	<b>\$ 42,498</b>	<b>\$ 63,819</b>	<b>\$ 106,322</b>

The accompanying notes are an integral part of these consolidated financial statements.



**LINDBLAD EXPEDITIONS HOLDINGS, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
(In thousands)

	<b>For the years ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Cash Flows From Operating Activities</b>			
Net (loss) income	\$ (7,529)	\$ 5,059	\$ 19,742
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	17,351	18,420	11,645
Amortization of National Geographic fee	2,907	2,907	1,397
Amortization of deferred financing costs and other, net	2,226	1,144	3,576
Stock-based compensation	10,627	5,411	4,913
Deferred income taxes	8,336	(3,326)	(3,413)
(Gain) loss on foreign currency	(1,144)	720	40
Loss (gain) on disposal and transfer of assets	-	819	(7,502)
Changes in operating assets and liabilities			
Inventories and marine operating supplies	(1,036)	1,073	(163)
Prepaid expenses and other current assets	575	629	(1,100)
Unearned passenger revenues	20,709	245	3,723
Other long-term assets	136	(3,642)	-
Other long-term liabilities	3	4	230
Accounts payable and accrued expenses	(243)	1,964	7,214
Net cash provided by operating activities	<u>52,918</u>	<u>31,427</u>	<u>40,302</u>
<b>Cash Flows From Investing Activities</b>			
Purchases of property and equipment	(80,485)	(75,933)	(14,800)
Redemption of restricted cash and marketable securities	1,958	(555)	(125)
Acquisition of Natural Habitat, Inc., net of \$4,904 cash acquired	-	(9,946)	-
Purchase of investment in CFMF	-	-	(68,088)
Advance from stockholder	-	-	1,501
Net cash used in investing activities	<u>(78,527)</u>	<u>(86,434)</u>	<u>(81,512)</u>
<b>Cash Flows From Financing Activities</b>			
Repurchase of common stock and warrants	(6,192)	(10,343)	(5,478)
Repurchase under stock-based compensation plans and related tax impacts	(5,034)	(2,694)	(4,879)
Repayments of long-term debt	(1,750)	(1,750)	(41,879)
Payment of deferred financing costs	(418)	(1,565)	(11,045)
Proceeds from long-term debt	-	-	175,000
Net proceeds from merger	-	-	186,806
Payments to stockholders for the merger	-	-	(90,000)
Net cash (used in) provided by financing activities	<u>(13,394)</u>	<u>(16,352)</u>	<u>208,525</u>
Effect of exchange rate changes on cash	30	(128)	(91)
Net (decrease) increase in cash and cash equivalents	<u>(38,973)</u>	<u>(71,487)</u>	<u>167,224</u>
Cash and cash equivalents as of beginning of year	<u>135,416</u>	<u>206,903</u>	<u>39,679</u>
Cash and cash equivalents as of end of year	<u>\$ 96,443</u>	<u>\$ 135,416</u>	<u>\$ 206,903</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for:			
Interest	<u>\$ 10,478</u>	<u>\$ 9,896</u>	<u>\$ 7,003</u>
Income taxes	<u>\$ 965</u>	<u>\$ 998</u>	<u>\$ 379</u>
<b>Non-cash investing and financing activities:</b>			
Additional paid-in capital exercise proceeds of option shares	\$ 1,682	\$ 1,123	\$ 2,240
Additional paid-in capital exchange proceeds used for option shares	\$ (1,682)	\$ (1,123)	\$ (2,240)

The accompanying notes are an integral part of these consolidated financial statements.

**Lindblad Expeditions Holdings, Inc.**  
**Notes to the Consolidated Financial Statements**

**NOTE 1 – BUSINESS**

***Organization***

Lindblad Expeditions Holdings, Inc. and its consolidated subsidiaries (the “Company” or “Lindblad”) currently operate a fleet of seven owned expedition ships and five seasonal charter vessels under the Lindblad brand.

Lindblad’s mission is to offer life-changing adventures on all seven continents and pioneering innovative ways to allow its guests to connect with exotic and remote places. The Company’s expedition ships are customized, nimble and intimately-scaled vessels that are able to venture where larger cruise ships cannot, thus allowing Lindblad to offer up-close experiences in the planet’s wild and remote places and capitals of culture. Many of these expeditions involve travel to remote places with limited infrastructure and ports (such as Antarctica and the Arctic) or places that are best accessed by a ship (such as the Galápagos, Alaska, Baja’s Sea of Cortez, Costa Rica and Panama), and foster active engagement by guests. Each expedition ship is designed to be comfortable and inviting, while being fully equipped with state-of-the-art tools for in-depth exploration. The Company has an alliance with the National Geographic Partners (“National Geographic”), which often provides lecturers and National Geographic experts, including photographers, writers, marine biologists, naturalists, field researchers and film crews.

***Natural Habitat Acquisition***

On May 4, 2016, the Company acquired an 80.1% ownership interest in Natural Habitat, Inc. (“Natural Habitat”), an adventure travel and ecotourism company based in Colorado. Natural Habitat was founded by Benjamin L. Bressler (“Mr. Bressler”), who retains a 19.9% noncontrolling interest in Natural Habitat. With the acquisition of Natural Habitat, the Company expanded its itineraries to include land-based offerings around the globe. Natural Habitat’s expeditions include polar bear tours in Churchill, Canada, Alaskan grizzly bear adventures, small-group Galápagos tours and African safaris. In addition to its land offerings, Natural Habitat offers select itineraries on seven small chartered vessels for parts of the year. Natural Habitat has partnered with World Wildlife Fund (“WWF”) to offer conservation travel, sustainable travel that directly protects nature.

***Merger with Capitol***

Capitol Acquisition Corp. II (“Capitol”) was originally incorporated in Delaware on August 9, 2010 as a blank check company to acquire, through a merger, share exchange, asset acquisition, stock purchase, recapitalization, reorganization or other similar business combination, one or more businesses or entities.

On July 8, 2015, Capitol completed a series of mergers whereby Lindblad Expeditions, Inc. (“LEX”) became Capitol’s wholly-owned subsidiary. As consideration for the mergers, the total purchase price consisted of an aggregate of (i) \$90.0 million in cash (a portion of which was paid as transaction bonuses) and (ii) 20,017,787 shares of Capitol common stock. Capitol also assumed outstanding LEX stock options and converted such options into options to purchase an aggregate of 3,821,696 shares of Capitol common stock with an exercise price of \$1.76 per share.

As a result of the mergers, LEX became a direct wholly-owned subsidiary of Capitol. Immediately following the mergers, Capitol, which had no operations, changed its name to Lindblad Expeditions Holdings, Inc. and therefore Lindblad has presented LEX’s information as that of the Company.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The consolidated financial statements and accompanying footnotes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The merger with LEX has been accounted for as a reverse acquisition. Under this method of accounting, Capitol has been treated as the “acquired” company for financial reporting purposes. This determination was primarily based on LEX comprising the ongoing operations and assets of the combined entity and LEX senior management comprising the senior management of the combined company. In accordance with guidance applicable to these circumstances, the merger has been considered to be a capital transaction in substance. Accordingly, for accounting purposes, the merger has been treated as the equivalent of LEX issuing shares for the net assets of Capitol, accompanied by a recapitalization. The net assets of Capitol have been stated at historical cost, with no goodwill or other intangible assets recorded. Operations prior to the merger are those of LEX. Additionally, the historical financial statements of LEX are now reflected as those of the Company.

### ***Principles of Consolidation***

The consolidated financial statements of the Company included Lindblad Expeditions Holdings, Inc. and its consolidated subsidiaries. Natural Habitat's balance sheet as of December 31, 2016 and results of operations for the period beginning May 5, 2016 and ending December 31, 2016 are included in the Company's consolidated financial statements.

### ***Reclassifications***

We have reclassified certain prior period amounts to conform to the current period presentation, with no impact on consolidated net income or cash flows.

### ***Use of Estimates***

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets, liabilities, revenues and expenses. Actual results could differ from such estimates. Management estimates include determining the estimated lives of long-lived assets, determining the fair value of assets acquired and liabilities assumed in business combinations, the fair value of the Company's common stock and related warrants, the valuation of securities underlying stock-based compensation, income tax expense, the valuation of deferred tax assets, the value of contingent consideration and assessing its litigation, other legal claims and contingencies. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period that they are determined to be necessary.

### ***Revenue Recognition***

Tour revenues consist of guest ticket revenues recognized from the sale of guest tickets and other tour revenues from the sale of pre- and post-expedition excursions, hotel accommodations, land-based expeditions, air transportation to and from the ships, goods and services rendered onboard that are not included in guest ticket prices, insurance proceeds, trip insurance and cancellation fees. Revenues from the sale of guest tickets and other tour revenues are recognized gross, as the Company has the primary obligation in the arrangement, has discretion in supplier selection and is involved in the determination of the service specifications.

The Company's tour guests remit deposits in advance of tour embarkation. Guest tour deposits consist of guest ticket revenues as well as revenues from the sale of pre- and post-expedition excursions, hotel accommodations, land-based expeditions, air transportation to and from the ships, and trip insurance. Guest tour deposits represent unearned revenues and are included as unearned passenger revenues in the consolidated balance sheet when received. Guest deposits are subsequently recognized as tour revenues on the date of embarkation. Tour expeditions average ten days in duration. For tours in excess of ten days, where the tour days span a quarter end or year end, the Company recognizes revenue based upon expedition days earned. Guest cancellation fees are recognized as tour revenues at the time of the cancellation. Revenues from the sale of additional goods and services rendered onboard are recognized upon purchase.

### ***Insurance***

The Company maintains insurance to cover a number of risks including illness and injury to crew, guest injuries, pollution, other third-party claims in connections with its tour expedition activities, damages to hull and machinery for each of its vessels, war risks, workers' compensation, employee health, directors' and officers' liability, property damages and general liabilities for third-party claims. The Company recognizes insurance recoverable from third-party insurers for incurred expenses at the time the recovery is probable and upon realization for amounts in excess of incurred expenses. All of the Company's insurance policies are subject to coverage limits, exclusions and deductible levels.

For the years ended December 31, 2017 and 2016, the Company self-insures for medical insurance claims up to \$100,000 and \$60,000, respectively. In addition, for the years ended December 31, 2017 and 2016 the Company maintains Stop Loss coverage for medical claims in excess of the \$100,000 and \$60,000, respectively, which have an aggregate deductible of \$57,500. As of December 31, 2017 and 2016, the Company recorded a liability for Incurred-But-Not-Recorded ("IBNR") medical claims, which was determined based on claims experience over the prior four years.

The Company also extends cancellation insurance to guests. The Company uses an insurance company to manage passenger insurance purchased to cover a variety of insurable losses including cancellations, interruption, missed connections, travel delays, accidental death and dismemberment, medical coverage and baggage issues. The Company is self-insured for the claims only which cover cancellations, interruption, missed connections and travel delays. The required reserve was determined based on claims experience over the prior four years. While the Company believes its estimated IBNR and accrued claims reserves are adequate, the ultimate losses may differ.

The Company participates in a traditional marine industry reinsurance solution for liability exposure through their Protection and Indemnity (“P&I Club”) Reinsurers, which are similar to mutual marine P&I Club’s that join and severally indemnify each other to provide discounted primary and excess Protection and Indemnity coverage to club members. The resulting aggregated surplus of the clubs combines to provide the Company with below market primary and high excess liability coverage for covered losses. For consideration of long-term below market P&I rates, the joint and several liability obligation requires the down-stream indemnification by their members, including the Company.

#### ***General and Administrative Expense***

Administrative expenses primarily represent the costs of our shore-side vessel support, reservations and other administrative functions, and includes salaries and related benefits, professional fees and occupancy costs.

#### ***Selling and Marketing Expense***

Selling and marketing expenses include commissions and a broad range of advertising and marketing expenses. These include direct mail, print and online advertising costs, as well as costs associated with website development and maintenance. Also included are social media and corporate sponsorship costs. Advertising is charged to expense as incurred. Advertising expenses totaled \$16.4 million, \$14.7 million and \$13.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. The largest component of advertising expense was direct mail, which totaled \$6.3 million, \$5.5 million and \$5.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

#### ***Earnings per Common Share***

Earnings per common share is computed by dividing net income available to common shareholders, by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares outstanding and, if dilutive, potential common shares outstanding during the period. Potential common shares consist of the dilutive incremental common shares issuable upon the exercise of stock options (if such option is an equity instrument, using the treasury stock method). For the year ended December 31, 2017, there were no dilutive shares because the Company had a net loss. For the years ended 2016 and 2015, the Company determined, using the treasury method, there were 806,950 and 657,558, respectively, of dilutive common shares related to stock-based compensation.

On July 8, 2015, as a result of the mergers and related to the reverse merger treatment and recapitalization, all historical weighted average common shares were adjusted by the exchange ratios established by the merger agreement.

As of December 31, 2017 and 2016, 10,656,520 and 11,186,387 warrants, respectively, to purchase common stock at a price of \$11.50 per share were outstanding. The Company determined these warrants were anti-dilutive and were not considered in the calculation of diluted weighted average shares outstanding.

Prior to the mergers, basic weighted average shares outstanding included the shares underlying a warrant to purchase 60% of the outstanding common shares. As the shares underlying this warrant could have been issued for little consideration (an aggregate exercise price of \$10.00), these shares were formerly deemed to be issued for purposes of basic earnings per share. Effective May 8, 2015, in connection with LEX closing on a transaction to purchase 100% of Cruise/Ferry Master Fund I, N.V. (“CFMF”), the warrant was cancelled. On July 8, 2015, as a result of the merger agreement, and the reverse merger treatment and recapitalization, these shares were not considered part of the recapitalization and therefore not included in basic or dilutive weighted average shares outstanding. For the year ended December 31, 2015, the Company excluded 1,912,833 (converted from 6,747 shares as a result of the merger) shares of common stock as these shares were subject to the warrants described above.

For the years ended December 31, 2017, 2016 and 2015, the Company calculated earnings per share as follows:

(In thousands, except share and per share data)	For the years ended December 31,		
	2017	2016	2015
Net (loss) income available to common stockholders	\$ (8,661)	\$ 4,864	\$ 19,742
<b>Weighted average shares outstanding:</b>			
Total weighted average shares outstanding, basic	44,576,912	45,649,971	44,917,829
<b>Effect of dilutive securities:</b>			
Assumed exercise of stock options, treasury method	-	782,565	657,558
Assumed exercise of restricted shares, RSU's, treasury method	-	24,385	-
Dilutive potential common shares	-	806,950	657,558
Total weighted average shares outstanding, diluted	44,576,912	46,456,921	45,575,387
<b>Net (loss) income per share available to Lindblad</b>			
Basic	\$ (0.19)	\$ 0.11	\$ 0.44
Diluted	\$ (0.19)	\$ 0.10	\$ 0.43

### **Cash and Cash Equivalents**

The Company considers all highly liquid instruments with an original maturity of three months or less, as well as deposits in financial institutions, to be cash and cash equivalents.

### **Concentration of Credit Risk**

The Company maintains cash in several financial institutions in the U.S. and other countries which, at times, may exceed the federally insured limits. Accounts held in the U.S. are guaranteed by the Federal Deposit Insurance Corporation up to certain limits. The Company has not experienced any losses in such accounts. As of December 31, 2017 and 2016, the Company's cash held in financial institutions outside of the U.S. amounted to \$4.1 million and \$2.7 million, respectively.

### **Restricted Cash and Marketable Securities**

Included in "Restricted cash and marketable securities" on the accompanying consolidated balance sheets are restricted cash and marketable securities, consisting of six-month certificates of deposit and short-term investments. Restricted cash and marketable securities consist of the following:

(In thousands)	As of December 31,	
	2017	2016
Federal Maritime Commission escrow	\$ 4,186	\$ 2,571
Credit negotiation and credit card processor reserves	1,530	5,030
Certificates of deposit and other restricted securities	1,341	1,414
Total restricted cash and marketable securities	\$ 7,057	\$ 9,015

The amounts held in restricted cash and marketable securities represent principally funds required to be held in certificates of deposit by certain vendors and regulatory agencies and are classified as restricted assets since such amounts cannot be used by the Company until the restrictions are removed by those vendors and regulatory agencies. Interest income is recognized when earned.

The Company has classified marketable securities, principally money market funds, as trading securities which are recorded at market value. Unrealized gains and losses are included in current operations. Gains and losses on the disposition of securities are recognized by the specific identification method in the period in which they occur.

In order to operate guest tour expedition vessels from U.S. ports, the Company is required to post a performance bond with the Federal Maritime Commission or escrow all unearned guest deposits plus an additional 10% in restricted accounts. To satisfy this requirement, the Company entered into an agreement with a financial institution to escrow all unearned guest revenues collected for sailings from U.S. ports.

At December 31, 2017 and 2016 a cash reserve of \$1.5 million and \$5.0 million, respectively, is required for credit card deposits by third-party credit card processors.

Amounts in the escrow accounts include cash, certificates of deposit and marketable securities. Cost of these short-term investments approximates fair value.

#### ***Marine Operating Supplies and Inventories***

Marine operating supplies consist primarily of fuel, provisions, spare parts, items required for maintenance and supplies used in the operation of marine expeditions. Marine operating supplies are stated at the lower of cost or net realizable value. Cost is determined using the first-in first-out method.

Inventories consist primarily of gift shop merchandise and other items for resale and are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

#### ***Prepaid Expenses and Other Current Assets***

The Company records prepaid expenses and other current assets at cost and expenses them in the period the services are provided or the goods are delivered. The Company's prepaid expenses and other current assets consist of the following:

(In thousands)	As of December 31,	
	2017	2016
Prepaid tour expenses	\$ 9,846	\$ 11,593
Prepaid air expense	3,621	2,432
Prepaid client insurance	2,525	2,141
Prepaid marketing, commissions and other expenses	2,495	1,823
Prepaid corporate insurance	1,033	931
Prepaid port agent fees	1,022	1,038
Prepaid income taxes	809	824
Total prepaid expenses	\$ 21,351	\$ 20,782

#### ***Property and Equipment, net***

Property and equipment, net is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets, as follows:

	Years
Vessels and vessel improvements	15-25
Furniture & equipment	5
Computer hardware and software	5
Leasehold improvements, including expedition sites and port facilities	Shorter of lease term or related asset life

The ship-based tour and expedition industry is very capital intensive. As of December 31 2017, the Company owned and operated seven vessels, including a new coastal vessel, the *National Geographic Quest*, which joined the fleet in the third quarter of 2017. The Company has contracted for two additional vessels. The *National Geographic Venture*, a coastal vessel, is expected to be completed in the fourth quarter of 2018, and a polar ice class vessel is targeted to be completed in the first quarter of 2020, with potential accelerated delivery to November 2019. The polar ice class contract includes options to build two additional ice class vessels, the first for delivery twelve months after the initial vessel and the second for delivery twelve months thereafter. The Company has a capital program for the improvement of its vessels and for asset replacements in order to enhance the effectiveness and efficiency of its operations; comply with, or exceed all relevant legal and statutory requirements related to health, environment, safety, security and sustainability; and gain strategic benefits or provide newer improved product innovations to its guests.

Vessel improvement costs that add value to the Company's vessels, such as those discussed above, are capitalized to the vessels and depreciated over the shorter of the improvements or the vessel's estimated remaining useful life, while costs of repairs and maintenance, including minor improvement costs and drydock expenses, are charged to expense as incurred and included in cost of tours. Drydock costs primarily represent planned maintenance activities that are incurred when a vessel is taken out of service. For U.S. flagged ships, the statutory requirement is an annual docking and U.S. Coast Guard inspections, normally conducted in drydock. Internationally flagged ships have scheduled dockings approximately every 12 months, for a period of up to three to six weeks.

### **Goodwill**

The authoritative guidance requires that goodwill be assessed annually for impairment. The Company completed the annual impairment test as of September 30, 2017 with no indication of goodwill impairment. Future impairment tests will be performed annually as of September 30, or sooner if warranted. See Notes 4 and 5 for further details on goodwill.

### **Intangibles, net**

Intangibles, net include tradenames, customer lists and operating rights. Tradenames are words, symbols, or other devices used in trade or business to indicate the source of products and to distinguish it from other products and are registered with government agencies and are protected legally by continuous use in commerce. Customer lists are established relationships with existing customers that resulted in repeat purchases and customer loyalty. Based on the Company's analysis, amortization of the tradenames and customer lists were computed using the estimated useful lives of 15 and 5 years, respectively.

The Company operates two vessels year-round in the Galápagos National Park in Ecuador; the *National Geographic Endeavour II* with 95 berths and the *National Geographic Islander* with 47 berths. In order to operate these vessels within the park, the Company is required to have in its possession cupos (licenses) sufficient to cover the total available berths on each vessel.

In June 2015, a new Ecuadorian Special Law for Protected Areas was approved and updated in November 2015. A Presidential Decree issued by President Correa of Ecuador in November 2015 established that cupos, which were in effect since July 2015, will have a validity of nine years. The Company's operating rights are up for renewal in July 2024 and, based on the new law, the Company will begin the renewal process in 2020. The current "owners" of the cupos will have the opportunity to re-apply for them, but any other enterprise or individual will have the opportunity to bid for the cupos. All bidders must present proof that they fulfill the conditions to properly utilize the license (access to a vessel, experience in tourism, proven environmental behavior, marketing, etc.). While the Company believes that, based on the expected criteria to retain cupos and its past operating history in the Galápagos, there is a strong possibility that the Company will retain its cupos, from an accounting perspective, it will assume they retain no value after July 2024. Once the renewal process has begun and if it can be determined that the Company will be successful in its bid, then the Company will adjust its amortization prospectively. Operating rights are amortized over their remaining government mandated lives.

Upon the occurrence of a triggering event, the assessment of possible impairment of the Company's intangibles, net will be based on the Company's ability to recover the carrying value of its asset, which is determined by using the asset's estimated undiscounted future cash flows. If these estimated undiscounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess, if any, of the asset's carrying value over its estimated fair value. A significant amount of judgment is required in estimating the future cash flows and fair values of its tradenames, customer lists and operating rights. As of December 31, 2017 and 2016, there was no triggering event and the Company did not record an impairment for intangible assets.

### **Long-Lived Assets**

The Company reviews its long-lived assets, principally its vessels, for impairment whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable. Upon the occurrence of a triggering event, the assessment of possible impairment is based on the Company's ability to recover the carrying value of its asset, which is determined by using the asset's estimated undiscounted future cash flows. If these estimated undiscounted future cash flows are less than the carrying value of the asset, an impairment charge is recognized for the excess of the asset's carrying value over its estimated fair value. A significant amount of judgment is required in estimating the future cash flows and fair values of its vessels.

As of December 31, 2017 and 2016, there was no triggering event and the Company did not record an impairment of its long-lived assets. In the first quarter of 2016, the Company reviewed the remaining useful life of the *National Geographic Endeavour*, which was replaced by the *National Geographic Endeavour II* in the fourth quarter of 2016. The evaluation of the *National Geographic Endeavour's* useful life as of December 31, 2015 indicated a shorter remaining useful life of less than one year versus the previous estimated remaining useful life of seven years. See Note 3 – Property and Equipment. As a result, the Company accelerated the depreciation in order to fully depreciate the asset by the end of the fourth quarter of 2016.

### **Investment in CFMF and Additional Paid-In Capital**

The Company uses the equity method of accounting for business investments when it has active involvement, but not control, in the venture. In 2015, the Company changed its accounting treatment for the investment in CFMF to the cost method and derecognized any earnings previously reported in the current year and adjusted the treatment of the CFMF transaction.

On March 3, 2009, LEX issued a note payable to Cruise/Ferry Master Fund I, N.V. On December 11, 2014, LEX entered into a Profit Participation Loan Purchase Agreement with DVB Bank America, N.V. (“DVB”), a Profit Participation Rights Purchase Agreement with Buss Kreuzfahrtfonds 1 GmbH & Co. KG and Buss Kreuzfahrtfonds 2 GmbH & Co. KG, and a Stock Purchase Agreement with Cruise/Ferry Finance Partners Private Foundation. These three agreements enabled LEX to purchase the financial and equity interests in CFMF in order to recapture and extinguish an outstanding warrant to purchase 60% of the outstanding equity of LEX on a fully diluted basis. On December 11, 2014, the date of the purchase agreements, an initial payment of \$25.0 million was made to DVB under the Profit Participation Loan Purchase Agreement. The remaining payments of (i) \$22.7 million to DVB, (ii) \$48.4 million to Buss Kreuzfahrtfonds 1 GmbH & Co. KG and Buss Kreuzfahrtfonds 2 GmbH & Co. KG, as increased by \$0.3 million per month from December 31, 2014 until the close of the transaction, and (iii) \$1.00 to Cruise/Ferry Financing Partners Private Foundation were made on May 8, 2015 (“CFMF Closing”). In connection with the CFMF Closing, the 60% warrant was cancelled; the junior debt note receivable was cancelled; and the related junior debt facility offset by the outstanding unamortized balance of the debt discount was cancelled, resulting in a gain on the transfer of assets, and LEX commenced liquidation procedures on CFMF. Utilizing the proceeds from the new loans, LEX also paid in full its preexisting senior debt facility in the amount of \$39.8 million held by DVB.

The investment in CFMF was liquidated subsequent to the purchase of CFMF on May 8, 2015. The CFMF assets acquired were the junior mortgage note receivable and warrant and both were cancelled and resulted in the removal of the junior mortgage note receivable, which had a relative fair value of \$8.5 million, and related junior debt, which had a fair value of \$16.0 million (a face value of \$20.0 million less the debt discount of \$4.0 million). This resulted in a \$7.5 million gain on the transfer of assets and an \$83.7 million adjustment to additional paid-in capital for the cancellation of the warrant.

#### *Assignment and Assumption Agreement*

In connection with LEX’s agreement to purchase CFMF, Sven-Olof Lindblad (“Mr. Lindblad”) earned a success fee of \$5.0 million from DVB for the purchase of CFMF (DVB was a partner in CFMF and the lender of LEX’s preexisting senior debt facility).

On March 9, 2015, Mr. Lindblad and LEX entered into an Assignment and Assumption Agreement pursuant to which Mr. Lindblad (i) assigned and transferred to LEX his right to receive a \$5.0 million fee payable to Mr. Lindblad personally by DVB and (ii) exercised his outstanding option to purchase 809,984 shares (converted from 2,857 shares at the merger date) of LEX’s stock for \$0.1 million in aggregate exercise proceeds. In exchange for the assignment to LEX of the fee payable by DVB, all of Mr. Lindblad’s obligations under his loan agreement with LEX (the “Mr. Lindblad Loan Agreement”), which had a balance of principal and accrued interest of \$2.8 million as of March 9, 2015, were deemed satisfied in full, the Mr. Lindblad Loan Agreement and related promissory note were terminated, and Mr. Lindblad’s obligation to pay the aggregate exercise price for the exercise of the option described above was satisfied in full. On May 8, 2015, LEX received the \$5.0 million fee from DVB and compensated Mr. Lindblad \$5.0 million (success fee compensation expense), which was paid by settling the \$2.8 million outstanding amount of principal and interest owed and the aggregate exercise proceeds of \$0.1 million payable in connection with the exercise of the option (above), and also offset by \$2.1 million in required withholding taxes.

#### *Accounts Payable and Accrued Expenses*

The Company records accounts payable and accrued expenses for the cost of such items when the service is provided or when the related product is delivered. The Company’s accounts payable and accrued expenses consist of the following:

(In thousands)	As of December 31,	
	2017	2016
Accounts payable	\$ 7,791	\$ 7,573
Accrued other expense	7,001	5,999
Bonus compensation liability	3,736	4,186
New build liability	2,730	4,011
Employee liability	2,644	3,494
Refunds and commissions payable	1,805	1,454
Royalty payable	1,673	1,468
Income tax liabilities	1,490	884
Travel certificate liability	1,120	1,218
Accrued travel insurance expense	432	375
Total accounts payable and accrued expenses	\$ 30,422	\$ 30,662



## ***Leases***

The Company leases office space with lease terms ranging from one to ten years. The Company amortizes the total lease costs on a straight-line basis over the minimum lease term.

The Company leases computer hardware and software and office equipment with lease terms ranging from three to six years.

## ***Fair Value Measurements and Disclosure***

Fair value is defined as an exit price, representing the amount that would be received upon the sale of an asset or payment to transfer a liability in an orderly transaction between market participants. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

Level 1 Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at measurement date.

Level 2 Quoted market prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly. Fair value is determined through the use of models or other valuation methodologies.

Level 3 Significant unobservable inputs for assets or liabilities that cannot be corroborated by market data. Fair value is determined by the reporting entity's own assumptions utilizing the best information available and includes situations where there is little market activity for the investment.

The carrying amounts of cash and cash equivalents, accounts payable and accrued expenses and unearned passenger revenue approximate fair value, due to the short-term nature of these instruments.

The carrying value of long-term debt approximates fair value given that the terms of the agreement were comparable to the market as of December 31, 2017 and 2016. As of December 31, 2017 and 2016, the Company had no other liabilities that were measured at fair value on a recurring basis.

The asset's or liability's fair value measurement within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement.

Level 3 financial liabilities consist of obligations for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

## ***Income Taxes***

The U. S. Tax Cuts and Jobs Act (the "Tax Act") introduces significant changes to U.S. income tax law that have a meaningful impact on our provision for income taxes. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, we made reasonable estimates of the effects and recorded provisional amounts in our financial statements for the year ended December 31, 2017. Accounting for the income tax effects of the Tax Act requires significant judgments and estimates in the interpretation and calculations of the provisions of the Tax Act. The U.S. Treasury Department, the Internal Revenue Service (IRS), and other standard-setting bodies may issue guidance on how the provisions of the Tax Act will be applied or otherwise administered that is different from our interpretation. As we collect and prepare necessary data, and interpret the Tax Act and any additional guidance issued by the IRS or other standard-setting bodies, we may make adjustments to the provisional amounts that could materially affect our financial statements in the period in which the adjustments are made.

The Company is subject to income taxes in both the U.S. and the non-U.S. jurisdictions in which it operates. Significant management judgment is required in projecting ordinary income to determine the Company's estimated effective tax rate.

The Company accounts for income taxes using the asset and liability method, under which it recognizes deferred income taxes for the tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities, as well as for tax loss carryforwards and tax credit carryforwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recoverable or settled. The Company provides a valuation allowance against deferred tax assets if, based upon the weight of available evidence, the Company does not believe it is "more-likely-than-not" that some or all of the deferred tax assets will be realized. The Company will continue to evaluate the deferred tax asset valuation allowance balances in all of our foreign and U.S. companies to determine the appropriate level of valuation allowances.

The Company is subject to income taxes in both the U.S. and the non-U.S. jurisdictions in which it operates. The Company regularly assesses the potential outcome of current and future examinations in each of the taxing jurisdictions when determining the adequacy of the provision for income taxes. The Company has only recorded financial statement benefits for tax positions which it believes reflect the “more-likely-than-not” criteria of FASB’s authoritative guidance on accounting for uncertainty in income taxes, and it has established income tax reserves in accordance with this guidance where necessary. As of December 31, 2017 and 2016, the Company had a liability for unrecognized tax benefits of \$0.4 million and \$0.4 million, respectively, which was included in other long-term liabilities on the Company’s consolidated balance sheets. The guidance also discusses the classification of related interest and penalties on income taxes. The Company’s policy is to record interest and penalties on uncertain tax positions as a component of income tax expense. During the years ended December 31, 2017 and 2016, interest and penalties on uncertain tax positions included in income tax expense was insignificant.

The Company is subject to tax audits in all jurisdictions for which it files tax returns. Tax audits by their very nature are often complex and can require several years to complete. Currently, there are no U.S. federal, state or foreign jurisdiction tax audits pending. The Company’s corporate U.S. federal and state tax returns for the current year and three prior years remain subject to examination by tax authorities and the Company’s foreign tax returns for the current year and four prior years remain subject to examination by tax authorities.

#### ***Other Long-Term Assets***

In 2016, the Company recorded a \$3.6 million tax asset for long-term prepaid value-added taxes related to the importation of the *National Geographic Endeavour II* and expect to earn tax credits that will reduce the asset over the next several years.

In connection with the merger on July 8, 2015, the Company, Mr. Lindblad and National Geographic Society entered into a Call Option agreement where Mr. Lindblad agreed to grant National Geographic Society an option to purchase 2,387,499 of Mr. Lindblad’s shares in the Company as consideration for the assumption of the NG Agreements. The Company recorded a \$13.8 million long-term asset using a fair value of \$5.76 per option share. The balance of the license agreement asset as of December 31, 2017 and 2016 was \$6.5 and \$9.5 million, respectively. As of December 31, 2017 and December 31, 2016, the balance in other long-term assets was \$10.0 million and \$13.1 million, respectively. See Note 9 – Commitments and Contingencies for more details.

#### ***Deferred Financing Costs***

For the years ended December 31, 2017, 2016 and 2015, the Company recorded deferred financing costs of \$0.4 million, \$1.6 million and \$11.0 million, respectively, in long-term debt, amortizing the costs over the term of the financing using the straight-line and effective interest method. See Note 7 – Long-Term Debt.

#### ***Foreign Currency Translation***

The U.S. dollar is the functional currency in the Company’s foreign operations and remeasurement adjustments and gains or losses resulting from foreign currency transactions are recorded as foreign exchange gains or losses in the consolidated statements of operations.

#### ***Stock-Based Compensation***

The Company accounts for equity instruments issued to employees, non-employee directors or other service providers in accordance with accounting guidance that requires that awards are recorded at their fair value on the date of grant and are amortized over the service period of the award. The Company recognizes compensation costs on a straight-line basis over the requisite service period of the award, which is generally the vesting term of the equity instrument issued.

#### ***Segment Reporting***

We are primarily a specialty cruise operator with operations in two segments, Lindblad and Natural Habitat. We evaluate the performance of our business based largely on the results of our operating segments. The chief operating decision maker, or CODM, and management review operating results monthly, and base operating decisions on the total results at a consolidated level, as well as at a segment level. Our reports provided to the Board of Directors are at a consolidated level and also contain information regarding the separate results of both segments. Management performance and related compensation is primarily based on total results. While both segments have similar characteristics, the two operating and reporting segments cannot be aggregated because they fail to meet the requirements for aggregation.

## ***Recent Accounting Pronouncements***

In August 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2017-12, *Derivatives and Hedging* (Topic 815) *Targeted Improvements to Accounting for Hedging Activities*. This guidance will make more financial and nonfinancial hedging strategies eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess effectiveness. It is intended to more closely align hedge accounting with companies’ risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. Update No. 2017-12 is effective for years beginning after December 15, 2018. Early adoption is permitted. Management is currently assessing the impact this guidance will have on the financial position or results of operations.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation - Stock Compensation* (Topic 718) : *Scope of Modification Accounting*. The purpose of Update No. 2017-09 is to provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Update No. 2017-09 is effective for years beginning after December 15, 2017. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on our financial position or results of operations.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles and Other* (Topic 350): *Simplifying the Test for Goodwill Impairment*. The amendment was issued in response from stakeholders’ regarding the cost and complexity of the goodwill impairment test. To simplify the subsequent measurement of goodwill, the Board eliminated Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities). Now the entity compares the fair value of the reporting unit with its carrying amount. Update No. 2017-04 is effective for years beginning after December 15, 2017. Early adoption is permitted. The Company does not believe the adoption of this guidance will have a material impact on our financial position or results of operations.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations* (Topic 805): *Clarifying the Definition of a Business*. The guidance was issued to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The amendments in this Update provide a screen to determine when a set (inputs and processes that produce an output) is a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. ASU No. 2017-01 is effective for years beginning after December 15, 2017. Early adoption is permitted. The Company does not believe the adoption of this guidance will have a material impact on our financial position or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The guidance requires the recognition of lease right of use assets and lease liabilities by lessees for those leases previously classified as operating. This guidance was issued to increase transparency and comparability among organizations by disclosing key information about leasing arrangements. ASU 2016-02 is effective for years beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the effect adoption of this guidance will have on its consolidated financial statements.

In 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU is based on the principle that revenue is recognized upon the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There have been multiple clarifying ASU’s issued subsequent to ASU 2014-09. We will adopt the guidance related to revenue recognition beginning in the first quarter of 2018, using the modified retrospective transition method applied to those contracts which were not completed as of the adoption date. Upon adoption, we will recognize the cumulative effect of adopting this guidance as an adjustment to the opening balance of retained earnings. Prior periods will not be restated. The Company does not believe the adoption of this guidance will have a material effect on our financial position or results of operations.

## ***Accounting Pronouncements Recently Adopted***

In March 2016, FASB issued ASU No. 2016-09, “Compensation – Stock Compensation: Improvements to Employee Share- Based Payment Accounting” (Topic 718). This ASU significantly reduces the complexity and cost of accounting for excess tax benefits and tax deficiencies related to stock-based compensation. The Company adopted this guidance as required during the quarter ending March 31, 2017. As a result of the new guidance, the Company recorded a de minimis benefit related to the exercise of stock options during the quarter ended March 31, 2017. The Company recognized an increase in deferred tax assets and retained earnings in the amount of \$1.8 million in accordance with the retrospective method of applying this guidance.

### NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net are as follows:

(In thousands)	As of December 31,	
	2017	2016
Vessels and improvements	\$ 346,895	\$ 267,415
Furniture and equipment	11,731	10,726
Leasehold improvements	1,425	1,425
Total property and equipment, gross	360,051	279,566
Less: Accumulated depreciation and amortization	(109,099)	(93,330)
Property and equipment, net	\$ 250,952	\$ 186,236

Total depreciation and amortization expense of the Company's property and equipment for the years ended December 31, 2017, 2016 and 2015 were \$15.8 million, \$17.1 million and \$11.3 million, respectively.

For the year ended December 31, 2017, the Company had \$80.5 million in capital expenditures, including capitalized interest, added to property and equipment, net. This amount primarily included \$42.8 million for the two newbuild coastal vessels and \$27.2 million toward the purchase of its new polar ice class vessel. The Company began to capitalize interest in January 2016 for its two newbuild coastal vessels, its renovation improvements to the *National Geographic Endeavour II*, and the polar ice class vessel. The capitalized interest has been and will continue to be added to the historical cost of the assets and depreciated over their useful lives beginning upon completion. For the year ended December 31, 2017 and 2016, the Company recognized \$2.6 and \$1.5 million, respectively, in capitalized interest in property and equipment, net on the accompanying consolidated balance sheet.

As part of the transition from *National Geographic Endeavour* to *National Geographic Endeavour II*, we removed the *National Geographic Endeavour* from operation in December 2016 and incurred a loss on disposal of asset of approximately \$0.8 million. Loss on disposal includes costs associated with inventory items and accrued expenses for anticipated costs to dispose of the *National Geographic Endeavour*, including but not limited to port costs, fuel and crew expenses.

### NOTE 4 – ACQUISITION

On May 4, 2016, the Company acquired an 80.1% ownership interest in Natural Habitat, an adventure travel and ecotourism company based in Colorado. The acquisition provides the Company with a platform to expand our land-based expeditions with a strong, trusted brand complimentary to Lindblad. In 2016, the Company incurred \$1.0 million of acquisition costs related to the acquisition of Natural Habitat, which is included in general and administrative expenses of the Company's consolidated statement of income.

The Company recorded this transaction using the acquisition method for business combinations. The Company measured the identifiable assets, liabilities and non-controlling interest of Natural Habitat at their fair market value as of the acquisition date and separately measured goodwill at its fair market value as of the acquisition date. Goodwill is an intangible asset arising as a result of name, reputation, customer loyalty, location, products and similar factors not separately identified. The recorded goodwill has no tax basis and is therefore not tax deductible.

The Company recognized a noncontrolling interest in Natural Habitat and measured the noncontrolling interest at fair value on the acquisition date. The noncontrolling interest is recognized as a redeemable noncontrolling interest to the extent that the risks and rewards of ownership substantially remain with the noncontrolling interest.

Mr. Bressler's noncontrolling interest in the remaining 19.9% interest in Natural Habitat is subject to a put/call arrangement. The arrangement between the Company and Mr. Bressler was established in order to provide a formal exit opportunity for Mr. Bressler and a path to 100% ownership for the Company. Mr. Bressler has a put option under certain conditions and subject to providing notice by October 31, 2020, that enables him, but does not obligate him, to sell his remaining interest in Natural Habitat on December 31, 2020. The Company has a call option, but not an obligation, with an expiration of December 31, 2025, under which it can buy Mr. Bressler's remaining interest at a similar fair value measure as Mr. Bressler's put option.

These rights to purchase or sell the noncontrolling interest may be at a fixed or variable price, or at fair value, and may be exercisable on a fixed date or any time at some point in the future. The existence of these rights impacts (1) whether separate assets or liabilities should be recognized for these rights, (2) the classification of any minority ownership as a liability, equity or redeemable noncontrolling interest, and (3) the amount of earnings recognized in the financial statements.

As the purchase prices indicated similar fair value measures, the put/call arrangement had been struck at fair value and each party is in agreement that the valuation is indicative of fair value, the asset and liability position would be netted and it is expected that the resulting value would be immaterial given the structure of the arrangement. As Mr. Bressler is responsible for the management of Natural Habitat, the risks and rewards of ownership substantially remain with the noncontrolling interest. The existence of the put/call arrangement does not indicate a separate obligation or liability for either party. Based on the existence of redemptive rights by Mr. Bressler, and the existence of risks and rewards of ownership, the noncontrolling interest was recorded separately as a redeemable noncontrolling interest. The put right is not redeemable unless notice is provided as per the requirements of the agreement.

The total purchase price of the acquisition is as follows:

(In thousands)	
Cash consideration	\$ 14,850
Long-term debt	2,525
Lindblad restricted shares (264,208 shares)	2,650
Total purchase price	<u>\$ 20,025</u>

Below is a summary, which details the allocation of assets acquired and liabilities assumed as a result of this acquisition:

(In thousands)	
Assets acquired:	
Cash and cash equivalents	\$ 4,904
Prepaid expenses and other current assets	9,623
Property and equipment	2,068
Goodwill and other intangibles	28,305
Total assets	<u>\$ 44,900</u>
Liabilities assumed:	
Accounts payable and accrued expenses	\$ 2,472
Unearned passenger revenues	15,000
Deferred tax liability	2,428
Noncontrolling interest in consolidated subsidiaries	4,975
Total liabilities	<u>\$ 24,875</u>
Total cash price paid upon acquisition and fair value of existing equity interest	<u>\$ 20,025</u>

The acquired business contributed revenues of \$34.5 million and operating income of \$2.2 million to Lindblad Expeditions for the period from May 5, 2016 to December 31, 2016. The following unaudited pro forma summary presents consolidated information of Lindblad Expeditions as if the business combination had occurred on January 1, 2015.

	<b>Pro forma years ended</b>	
	<b>December 31,</b>	
	<b>2016</b>	<b>2015</b>
(In thousands)		
Revenues	\$ 254,567	\$ 249,819
Operating income	\$ 15,345	\$ 17,883

The Company adjusted \$1.0 million for nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma earnings as a result of acquisition costs incurred by Lindblad Expeditions. These pro forma amounts have been calculated after applying the Company's accounting policies and adjusting the results of Natural Habitat to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied from January 1, 2015, with tax effects.

## NOTE 5 – INTANGIBLES, NET

The carrying amounts and accumulated amortization of the Company's intangibles, net are as follows:

	As of December 31,						
	2017			Weighted Average Useful Life (years)	2016		
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Tradenames	\$ 2,900	\$ (322)	\$ 2,578	13.3	\$ 2,900	\$ (129)	\$ 2,771
Customer lists	3,300	(1,100)	2,200	3.3	3,300	(440)	2,860
Operating rights	6,529	(1,753)	4,776	6.6	6,529	(1,028)	5,501
Total intangibles, net	<u>\$ 12,729</u>	<u>\$ (3,175)</u>	<u>\$ 9,554</u>	<u>7.7</u>	<u>\$ 12,729</u>	<u>\$ (1,597)</u>	<u>\$ 11,132</u>

The decrease in the Company's intangibles, net is the result of amortization expense associated with intangible assets acquired in connection with the acquisition of Natural Habitat on May 4, 2016. As part of the acquisition, the Company acquired Natural Habitat's tradenames, customer lists and goodwill in the amounts of \$2.9 million, \$3.3 million and \$22.1 million, respectively. The Company did not record a goodwill impairment charge for the year ended December 31, 2017. See Note 4 – Acquisitions, for additional information regarding this acquisition. The Company began amortizing operating rights with a gross carrying value of \$6.5 million in July 2015 as a result of changes to cupos in the Galapagos National Park. See Note 2 – Summary of Significant Policies, *Intangibles, net* for a description of, and rationale for, amortizing operating rights.

For the years ended December 31, 2017, 2016 and 2015, amortization expense for intangibles, net was \$1.6 million, \$1.3 million and \$0.3 million, respectively. The Company expects amortization expense related to these intangibles, net to be \$1.6 million for the years ended December 31, 2018, 2019 and 2020. For the year ended December 31, 2021 and 2022, we expect amortization expense to be \$1.1 million and \$0.9 million, respectively, with the balance of \$2.8 million amortized thereafter. Amortization expense for tradenames, customer lists and operating rights were recorded in depreciation and amortization expense in the accompanying consolidated statements of operations.

## NOTE 6 – LETTERS OF CREDIT

As of December 31, 2017 and 2016, the Company had \$1.15 million and \$4.65 million, respectively, in letters of credit outstanding with financial institutions. The annual fee for letters of credit is 1% of the outstanding balance. The letters of credit are secured by a certificate of deposit maintained at the financial institutions and that mature in July 2018.

## NOTE 7 – LONG-TERM DEBT

### *Note Payable*

On May 4, 2016, in connection with the Natural Habitat acquisition, Natural Habitat issued an unsecured promissory note to Mr. Bressler with an outstanding principal amount of \$2.5 million due at maturity on December 31, 2020. The promissory note accrues interest at a rate of 1.44% annually, with interest payable every six months.

### *Credit Facility*

On May 8, 2015, the Company entered into a credit agreement with Credit Suisse, as Administrative Agent and Collateral Agent ("Credit Agreement") for a \$150.0 million facility, which was subsequently increased to \$175.0 million upon syndication on July 8, 2015 ("Amended Credit Agreement"), in the form of a \$155.0 million U.S. term loan (the "U.S. Term Loan") and a \$20.0 million Cayman term loan for the benefit of the Company's foreign subsidiaries (the "Cayman Loan," and together with the U.S. Term Loan, the "Loans"). On March 7, 2016, the Company entered into a Restated Credit Agreement with Credit Suisse, amending its existing senior secured credit facility with Credit Suisse ("Restated Credit Facility"). The Restated Credit Facility provides for the Company's existing \$175.0 million senior secured first lien term loan facility and a new \$45.0 million senior secured incremental revolving credit facility ("Revolving Credit Facility"), which includes a \$5.0 million letter of credit subfacility. The Company's obligations under the Restated Credit Facility are secured by substantially all the assets of the Company.

Borrowings under the Loans bear interest at an adjusted ICE Benchmark Administration LIBO Rate (subject to a floor of 1.00%) plus a spread of 4.50%. As of December 31, 2017, the interest rate was 6.34%. The Loans mature on May 8, 2021. Borrowings under the Revolving Credit Facility bear interest at an adjusted ICE Benchmark Administration LIBO Rate plus a spread of 4.00%, or, at the option of the Company, an alternative base rate plus a spread of 3.00%. The Company is also required to pay a 0.50% annual commitment fee on undrawn amounts under the Revolving Credit Facility, which matures on May 8, 2020.

The Restated Credit Agreement (i) requires the Company to satisfy certain financial covenants as set forth in the Amended Credit Agreement; (ii) limits the amount of indebtedness the Company may incur; (iii) limits the amount the Company may spend in connection with certain types of investments; (iv) requires the delivery of certain periodic financial statements and an operating budget and (v) requires the mortgaged vessels and related inventory to be maintained in good working condition. As of December 31, 2017, the Company was in compliance with the covenants.

Borrowings under the Revolving Credit Facility will be used for general corporate and working capital purposes and related fees and expenses. As of December 31, 2017, the Company had no borrowings under the Revolving Credit Facility.

For the years ended December 31, 2017, 2016 and 2015, deferred financing costs charged to interest expense were \$2.2 million, \$2.2 million and \$3.6 million, respectively.

### Senior Secured Credit Agreement

On January 8, 2018, the Company and its indirect, wholly-owned subsidiary (the “Borrower”) entered into a senior secured credit agreement (the “Export Credit Agreement”) with Citibank, N.A., London Branch (“Citi”) and Eksportkreditt Norge AS (together with Citi, the “Lenders”). Pursuant to the Export Credit Agreement, the Lenders have agreed to make available to the Borrower, at the Borrower’s option and subject to certain conditions, a loan in an aggregate principal amount not to exceed \$107.7 million for the purpose of providing financing for up to 80% of the purchase price of the Company’s new expedition ice-class cruise vessel targeted to be completed in January 2020. Seventy percent of the loan will be guaranteed by Garantiinstituttet for Eksportkreditt, the official export credit agency of Norway. If drawn upon, the loan will be made at the time of delivery of the vessel.

At the Borrower’s election, the loan will bear interest either at a fixed interest rate effectively equal to 5.78% or a floating interest rate equal to three-month LIBOR plus a margin of 3.00% per annum. The loan will amortize quarterly based on a twelve-year profile, with 70% maturing over twelve years from drawdown, and 30% maturing over five years from drawdown. The loan will be secured by a first priority mortgage over the new vessel and the assignment of related insurances. The Export Credit Agreement also contains customary events of default and mandatory prepayment events for, among other things, non-payment, breach of covenants, default on certain other indebtedness, certain large judgments and a change of control of the Company or the Borrower. In addition to paying interest on any outstanding loans under the facility, the Borrower is required to pay customary coordination, arrangement, agency, collateral and commitment fees. Amounts drawn under the Export Credit Agreement may be voluntarily prepaid at any time subject to customary breakage costs. All obligations of the Borrower under the Export Credit Agreement are guaranteed by the Company.

### Long-Term Debt Outstanding

As of December 31, 2017 and 2016, the following long-term debt existed:

(In thousands)	As of December 31,					
	2017			2016		
	Principal	Deferred Financing Costs, net	Balance	Principal	Deferred Financing Costs, net	Balance
Note payable	\$ 2,525	\$ -	\$ 2,525	\$ 2,525	\$ -	\$ 2,525
Credit Facility	170,625	(7,214)	163,411	172,375	(9,022)	163,353
Total long-term debt	173,150	(7,214)	165,936	174,900	(9,022)	165,878
Less current portion	(1,750)	-	(1,750)	(1,750)	-	(1,750)
Total long-term debt, non-current	\$ 171,400	\$ (7,214)	\$ 164,186	\$ 173,150	\$ (9,022)	\$ 164,128

Future minimum principal payments of long-term debt are as follows:

Year	Amount
(In thousands)	
2018	1,750
2019	1,750
2020	4,275
2021	165,375
	\$ 173,150

## NOTE 8 — INCOME TAXES

The Company (a “C” Corporation) provides for income taxes based on the Federal and state statutory rates on taxable income. U.S. and foreign components of income before incomes taxes for the years ended December 31, 2017, 2016 and 2015 are presented below:

(In thousands)	For the years ended December 31,		
	2017	2016	2015
Domestic	\$ (10,423)	\$ (8,696)	\$ (3,700)
Foreign	12,896	10,555	20,793
Total	\$ 2,473	\$ 1,859	\$ 17,093

The income tax provisions at December 31, 2017, 2016 and 2015 are comprised of the following:

(In thousands)	For the years ended December 31,		
	2017	2016	2015
Current			
Federal	\$ (15)	\$ -	\$ (38)
State	529	51	(3)
Foreign - Other	1,062	164	805
Total current	1,576	215	764
Deferred			
Federal	8,168	(3,015)	(3,140)
State	242	(426)	(247)
Foreign - Other	16	26	(26)
Total deferred	8,426	(3,415)	(3,413)
Income tax expense (benefit)	\$ 10,002	\$ (3,200)	\$ (2,649)

The U.S. Tax Cuts and Jobs Act (the “Tax Act”) was enacted on December 22, 2017 and introduces significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21%, transitions the U.S. international taxation from a worldwide tax system to a territorial system, and creates new taxes on certain foreign-sourced earnings and certain related-party payments, which are referred to as the global intangible low-taxed income tax and the base erosion tax, respectively. In addition, in 2017 we were subject to a one-time transition tax on accumulated foreign subsidiary earnings not previously subject to U.S. income tax.

On December 22, 2017, Staff Accounting Bulletin No. 118 (“SAB 118”) was issued to address the application of US GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. Due to the timing of the enactment and the complexity involved in applying the provisions of the Tax Act, we have made reasonable estimates of the effects and recorded provisional amounts in our financial statements as of December 31, 2017. As we collect and prepare necessary data, and interpret the Tax Act and any additional guidance issued by the U.S. Treasury Department, the IRS, and other standard-setting bodies, we may make adjustments to the provisional amounts. Those adjustments may materially impact our provision for income taxes and effective tax rate in the period in which the adjustments are made. The accounting for the tax effects of the Tax Act will be completed in 2018.

Provisional amounts for the following income tax effects of the Tax Act have been recorded as of December 31, 2017 and are subject to change during 2018.

### *One-time transition tax*

The Tax Act requires us to increase our U.S. taxable income for accumulated foreign subsidiary earnings not previously subject to U.S. income tax at a rate of 15.5% to the extent of foreign cash and certain other net current assets and 8% on the remaining earnings. We recorded a provisional amount for our one-time transitional tax liability as a reduction of net operating loss carryforwards totaling \$14.5 million. We have recorded provisional amounts based on estimates of the effects of the Tax Act as the analysis requires significant data from our foreign subsidiaries that is not regularly collected or analyzed. Additional work is necessary to do a more detailed analysis of historical foreign earnings as well as potential correlative adjustments. Any subsequent adjustment to these amounts will be recorded to current tax expense in the quarter of 2018 when the analysis is complete.



### Deferred tax effects

The Tax Act reduces the U.S. statutory tax rate from 35% to 21% for years after 2017. Accordingly, we have remeasured our deferred taxes as of December 31, 2017 to reflect the reduced rate that will apply in future periods when these deferred taxes are settled or realized. We recognized a deferred tax benefit of \$1.8 million to reflect the reduced U.S. tax rate and other effects of the Tax Act. Although the tax rate reduction is known, we have not collected the necessary data to complete our analysis of the effect of the Tax Act on the underlying deferred taxes and as such, the amounts recorded as of December 31, 2017 are provisional.

The net tax expense recognized in 2017 related to the Tax Act was \$12.7 million. As we complete our analysis of the Tax Act and incorporate additional guidance that may be issued by the U.S. Treasury Department, the IRS or other standard-setting bodies, we may identify additional effects not reflected as of December 31, 2017.

A reconciliation of the U.S. federal statutory income tax (benefit) expense to the Company's effective income tax provision is as follows:

	<b>For the years ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Tax provision at statutory rate – federal	35.0%	35.0%	35.0%
U.S. tax reform toll charge	562.2%	0.0%	0.0%
Tax rate change deferred revaluation	(63.3%)	0.0%	0.0%
Tax provision at effective state and local rates	23.9%	(21.1%)	(1.5%)
Foreign tax rate differential	(158.3%)	(216.4%)	(46.5%)
GAAP gain on transfer of assets	0.0%	0.0%	(15.3%)
Transaction costs	0.0%	0.0%	8.3%
Subpart F income	0.0%	0.0%	5.2%
Nondeductible expenses	6.5%	51.7%	0.0%
Uncertain tax provisions	1.2%	0.2%	0.2%
Valuation allowance	2.8%	22.1%	0.6%
Prior period adjustments	11.2%	(37.7%)	0.0%
Stock compensation	(9.5%)	0.0%	0.0%
Tax credits	(7.3%)	0.0%	0.0%
Other	0.0%	(5.9%)	(1.5%)
<b>Total effective income tax rate</b>	<b>404.4%</b>	<b>(172.1%)</b>	<b>(15.5%)</b>

The Company, through its subsidiaries and affiliated entities in the U.S., the Cayman Islands, Ecuador and Australia are subject to US Federal, US state, Ecuadorian Federal and Australian Federal income taxes. The Cayman Islands do not impose federal or local income taxes.

Deferred tax assets (liabilities) as of December 31, 2017 and 2016 are comprised of the following:

(In thousands)	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Net operating loss carryforward	\$ 16,292	\$ 15,032
Property and equipment	(8,880)	(236)
Valuation allowance	(8,863)	(8,795)
Stock-based compensation	9	124
Intangibles	(1,022)	(1,923)
Other	20	(84)
<b>Deferred tax (liabilities) assets</b>	<b>\$ (2,444)</b>	<b>\$ 4,118</b>

The Company recognizes valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. In assessing the likelihood of realization, management considers: (i) future reversals of existing taxable temporary differences; (ii) future taxable income exclusive of reversing temporary differences and carryforwards; (iii) taxable income in prior carryback year(s) if carryback is permitted under applicable tax law; and (iv) tax planning strategies. As of December 31, 2017, the Company had deferred tax assets related to Australian loss carryforwards of approximately \$22.7 million and capital loss carryforwards of \$6.8 million, which may be carried forward indefinitely. The Company also had deferred tax assets related to U.S. loss carryforwards of \$26.8 million, which begin to expire in 2027. The timing and manner in which the Company will utilize the net operating loss carryforwards in any year, or in total, may be limited in the future as a result of changes in the Company's ownership and any limitations imposed by the jurisdictions in which the Company operates.

As a result of the transition to the territorial tax regime effectuated by the Tax Act described above, any potential dividends from our foreign subsidiaries would no longer be subject to tax in the United States. We continue to assert our prior position regarding the repatriation of historical foreign earnings from our Ecuadorian and Australian subsidiaries. We currently have no intention to remit any additional undistributed earnings of our Ecuadorian and Australian subsidiaries in a taxable manner. We no longer remain permanently reinvested in the earnings of our Cayman subsidiary. No taxes have been accrued as a result of this change because no taxes are expected to be imposed by either the United States or the Cayman Islands upon such a remittance.

The Company is subject to income taxes in the U.S. and various state and foreign jurisdictions. Significant judgment is required in evaluating tax positions and determining the provision for income taxes. The Company establishes liabilities for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes may be due. These liabilities are established when the Company believes that certain positions might be challenged despite its belief that its tax return positions are fully supportable. The Company adjusts these liabilities in light of changing facts and circumstances, such as the outcome of a tax audit. The provision for income taxes includes the impact of changes to these liabilities.

The following is a tabular reconciliation of the total amounts of unrecognized tax benefits and does not include related interest and penalties for the years ended December 31, 2017, 2016 and 2015:

(In thousands)	For the years ended December 31,		
	2017	2016	2015
Beginning of year	\$ 447	\$ 473	\$ 447
Current year positions	-	(26)	26
Prior year positions	(26)	-	-
End of year	\$ 421	\$ 447	\$ 473

The amount of uncertain tax positions that, if recognized, would impact the effective tax rate at December 31, 2017 and 2016 was \$0.3 million. Any changes in the next twelve months are not anticipated to have significant impact on the results of operations, financial position or cash flows of the Company.

The Company has elected an accounting policy to classify interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of December 31, 2017, 2016 and 2015, interest and penalties included in income tax expense were not significant.

The Company is subject to tax audits in all jurisdictions for which it files tax returns. Tax audits by their very nature are often complex and can require several years to complete. Currently, there are no U.S. federal, state or foreign jurisdiction tax audits pending. The Company's corporate U.S. federal and state tax returns for the current year and the three prior years remain subject to examination by tax authorities and the Company's foreign tax returns for the current year and the four prior years remain subject to examination by tax authorities.

## NOTE 9 – COMMITMENTS AND CONTINGENCIES

### *Lease Commitments*

The Company leases office space and equipment under long-term leases, which are classified as operating leases.

Future minimum rental commitments, under non-cancellable operating leases as of December 31, 2017 are as follows:

<b>For the years ended December 31,</b>	<b>Minimum Lease Payments</b>
(In thousands)	
2018	\$ 936
2019	1,154
2020	1,094
2021	1,049
2022	1,104
Thereafter	2,737
	\$ 8,074

The amounts above include the future minimum rental commitment of \$3.1 million related to the 88 months lease for the shoreside facility in Seattle that was executed February 8, 2018.

Rent expense was approximately \$1.2 million, \$1.1 million and \$0.9 million for the years ended December 31, 2017, 2016 and 2015, respectively. These amounts are recorded within general and administrative expenses on the accompanying consolidated statements of operations.

### *Fleet Expansion*

On December 2, 2015, the Company entered into two separate Vessel Construction Agreements, (collectively, the “Agreements”) with Ice Floe, LLC, a Washington limited liability company doing business as Nichols Brothers Boat Builders (the “Builder”). The Agreements provide for the Builder to construct two new 236-foot 100-passenger cruise vessels.

The company paid Ice Floe LLC \$53.6 million related to the *National Geographic Quest* and the vessel was delivered in July of 2017. The Company amended the agreement for the second vessel, the *National Geographic Venture*, in October 2017. The current contract price is \$57.0 million and the vessel is scheduled to be completed in the fourth quarter of 2018, subject to extension for certain events, such as change orders. As of December 31, 2017, the Company has paid Ice Floe, LLC \$23.8 million related to the *National Geographic Venture*. The Company may terminate the applicable Agreement in the event the Builder fails to deliver the vessel within one hundred eighty days of the applicable due date or the Builder becomes insolvent or otherwise bankrupt. The Agreement also contains customary representations, warranties, covenants and indemnities.

In November 2017, the Company entered into an agreement with Ulstein Verft to construct a polar ice class vessel with a total purchase price of 1,066.0 million Norwegian Kroner (NOK). Subsequently, LME exercised its right to make payments in United States Dollars, which resulted in a purchase price of \$134.6 million, including hedging costs. The purchase price is subject to potential adjustments from contract specifications for variations in speed, deadweight, fuel consumption and delivery date, and is due in installments. The first twenty percent of the purchase price was paid shortly after execution of the Agreement with the remaining eighty percent due upon delivery and acceptance of the vessel. The vessel is targeted to be delivered in January 2020, with potential accelerated delivery to November 2019. The contract also includes options to build two additional ice class vessels, the first for delivery twelve months after the initial vessel and the second for delivery twelve months thereafter.

### *Royalty Agreement – National Geographic*

The Company is engaged in an alliance and license agreement with National Geographic, which allows the Company to use the National Geographic name and logo. In return for these rights, the Company is charged a royalty fee. The royalty fee is included within selling and marketing expense on the accompanying consolidated statements of operations. The amount is calculated based upon a percentage of certain ticket revenues less travel agent commission, including the revenues received from cancellation fees and any revenues received from the sale of voyage extensions. A voyage extension occurs when a guest extends his or her trip with pre- or post-voyage hotel nights and is included within tour revenues on the accompanying consolidated statements of operations. The royalty expense is recognized at the time of revenue recognition. See Note 2 – Summary of Significant Accounting Policies for a description of the Company’s revenue recognition policy. Royalty expense for the years ended December 31, 2017, 2016 and 2015 totaled \$5.2 million, \$4.9 million and \$4.8 million, respectively.

The balances payable to National Geographic as of December 31, 2017 and 2016 are \$1.7 million and \$1.5 million, respectively, and are included in accounts payable and accrued expenses on the accompanying consolidated balance sheets.

In March 2015, Lindblad and National Geographic extended their alliance and license agreement until the year 2025. Payment of royalties earned during the extension period will be valued and recorded in the Company's consolidated financial statements in a manner consistent with the foregoing disclosure.

In connection with the merger on July 8, 2015, the Company, Mr. Lindblad and National Geographic entered into a Call Option agreement where Mr. Lindblad agreed to grant National Geographic an option to purchase 2,387,499 of Mr. Lindblad's shares in the Company as consideration for the assumption of the alliance and license agreements and the tour operator agreement. The Company recorded a \$13.8 million long-term asset using a fair value of \$5.76 per option share. The Company is amortizing the cost until March 31, 2020. For the years ended December 31, 2017 and 2016, the Company recorded amortization of the National Geographic fee of \$2.9 million and \$2.9 million, respectively, within selling and marketing expense on the consolidated statements of operations. The asset was valued using a Black-Scholes valuation method with the following assumptions:

Stock price at July 9, 2015:	\$	10.75
Exercise price:	\$	10.00
Expected term:		5 years
Volatility:		60%
Risk free rate:		1.58%
Dividend rate:		0%

#### ***Royalty Agreement – World Wildlife Fund***

Natural Habitat has a license agreement with World Wildlife Fund, which allows it to use the WWF name and logo. In return for these rights, Natural Habitat is charged a royalty fee and a fee based on annual gross sales. The fees are included within selling and marketing expense on the accompanying consolidated statements of operations. The annual royalty payment and gross sales fees are paid on a quarterly basis. For the years ended December 31, 2017 and 2016, these fees totaled \$0.6 million and \$0.5 million, respectively.

#### ***Royalty Agreement – Islander***

Under a perpetual royalty agreement, the Company is obligated to pay a third party, based upon net revenues generated through tours conducted on the *National Geographic Islander*. Royalty payments are charged to cost of tours expenses. Royalty expense for the years ended December 31 2017, 2016 and 2015 was \$0.7 million, \$0.7 million and \$0.7 million, respectively.

#### ***Charter Commitments***

From time to time, the Company enters into agreements to charter vessels onto which it holds its tours and expeditions. Future minimum payments on its charter agreements are as follows:

<b>For the years ended December 31,</b>	<b>Amount</b>
(In thousands)	
2018	9,334
2019	5,241
<b>Total</b>	<b>\$ 14,575</b>

#### ***Other Commitments***

The Company participates, with other tour operators, in the Consumer Protection Insurance Plan sponsored by the United States Tour Operators Association ("USTOA"). The USTOA requires a \$1.0 million performance bond, letter of credit or assigned certificate of deposit from its members to insure this plan. The Company has assigned a \$1.0 million letter of credit to the USTOA to satisfy this requirement. This letter of credit will be used only if the Company becomes insolvent and cannot refund its customers' deposits.

The Company self-insures cancellation insurance extended to guests. Further, the Company contracts with an unrelated insurance company to administer the guest insurance program, which includes additional guest-related insurance coverage purchased by guests. In connection with the program, the Company has provided a \$150,000 letter of credit to the insurance company to cover unpaid premiums.

### ***Operational Agreement***

The Company maintains an agreement with a third party in the Galápagos who provides operations support for the Company's vessels stationed there. On February 11, 2015, the Company entered into a renewal agreement with Empresa Turística Internacional C.A., the third-party company that provides advisory and administrative services along with the required actions for the secure and successful operation of the *National Geographic Endeavour II* and *National Geographic Islander* in the Galápagos. This agreement is in effect from January 1, 2015 through December 31, 2019.

### ***Legal Proceedings***

The Company is involved in various claims, legal actions and regulatory proceedings arising from time to time in the ordinary course of business. In the opinion of management, there are no outstanding proceedings that are expected to have a material adverse effect on our financial position, results of operations or cash flows.

### **NOTE 10 – EMPLOYEE BENEFIT PLAN**

The Company has a 401(k) profit sharing plan and trust for its employees. The Company matched 30% in 2017 and 25% in 2016 and 2015, respectively, of employee contributions up to annual maximum of \$2,100 for 2017, \$1,800 for 2016 and \$1,500 for 2015. For the years ended December 31, 2017, 2016 and 2015, the Company's benefit plan contribution amounted to \$0.3 million, \$0.2 million and \$0.2 million, respectively. The benefit plan contribution is recorded within general and administrative expenses on the consolidated statements of operations.

### **NOTE 11 – STOCKHOLDERS' EQUITY**

#### ***Capital Stock***

The Company has 1,000,000 shares of preferred stock authorized, \$0.0001 par value and 200,000,000 shares of common stock authorized, \$0.0001 par value.

#### ***Capitol Initial Public Offering and Warrants***

In connection with its initial public offering, on May 15, 2013, Capitol sold 20,000,000 units at \$10.00 per unit, including 2,000,000 units under the underwriters' over-allotment option, generating gross proceeds of \$200.0 million. Each unit consisted of one share of Capitol's common stock, \$0.0001 par value and one half of one redeemable warrant to purchase one share of common stock. The shares of common stock and the warrants included in the units traded as a unit until July 1, 2013 when separate trading of common stock and warrants began. In connection with the consummation of the merger with LEX, Capitol forced the separation of the units into the separate components of common stock and warrants. Each whole warrant entitles its holder, upon exercise, to purchase one share of common stock for \$11.50 subject to certain adjustments, during the period that commenced thirty days after the completion of the merger between LEX and terminating five years thereafter.

The warrants may be redeemed by the Company, at its option, in whole and not in part, at a price of \$0.01 per warrant at any time the warrants are exercisable, upon a minimum of 30 days prior written notice of redemption, if, and only if, the last sales price of the Company's shares of common stock equals or exceeds \$24.00 per share (as adjusted for stock splits, stock dividends, reorganizations and recapitalizations) for any 20 trading days within a 30 trading day period ending three business days before the Company sends the redemption notice; and if, and only if, there is a current registration statement in effect with respect to the shares of common stock underlying such warrants.

If the Company calls the warrants for redemption as described above, the Company's management will have the option to require all holders that wish to exercise warrants to do so on a "cashless basis." In such event, each holder would pay the exercise price by surrendering the warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of common stock underlying the warrants, multiplied by the difference between the exercise price of the warrants and the fair market value by (y) the fair market value. The fair market value will mean the average reported last sale price of the shares of common stock for the five trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants.

Certain of the outstanding warrants were privately acquired from the Company by Capitol's sponsor and certain of the Company's initial officers and directors and are identical to the warrants included in the units sold in the offering except that such warrants: (i) are not be redeemable by the Company and (ii) may be exercised for cash or on a cashless basis, in each case so long as they are held by the initial purchasers or any of their permitted transferees.

### ***Stock and Warrant Repurchase Plan***

On November 2, 2016, the Company's Board of Directors approved a \$15.0 million increase to the Company's existing stock and warrant repurchase plan ("Repurchase Plan"), to \$35.0 million. This Repurchase Plan, which was authorized in November 2015, authorizes the Company to purchase from time to time the Company's outstanding common stock and warrants. Any shares and warrants purchased will be retired. The Repurchase Plan has no time deadline and will continue until otherwise modified or terminated at the sole discretion of the Company's Board of Directors. The repurchases exclude shares repurchased to settle statutory employee tax withholding related to the vesting of stock awards. All repurchases were made using cash resources. In 2015, the Company repurchased 2,091,618 warrants for \$5.5 million. In 2016, the Company repurchased 2,821,995 warrants for \$7.3 million and 308,718 shares of its common stock for \$3.0 million. In 2017 the Company repurchased a total of 529,867 warrants for \$1.1 million and 547,058 shares of common stock for \$5.1 million pursuant to the Repurchase Plan. The Company has cumulatively repurchased 855,776 shares of common stock for \$8.1 million and 5,443,480 warrants for \$14.0 million, since plan inception. The balance as of February 26, 2018 for the repurchase plan was \$12.1 million.

### ***2017 Long-Term Incentive Compensation***

In March 2017, the Company's compensation committee (or a subcommittee thereof) approved awards of restricted stock units ("RSUs") and performance share units ("PSUs") to key employees under the Company's 2015 Long-Term Incentive Plan. The Company granted 171,388 RSUs on April 3, 2017 at a grant price of \$8.98. The RSU's will vest in equal installments on each of the first three anniversaries of the grant date, subject to the recipient's continued employment or service with us or our subsidiaries on the applicable vesting date.

The PSUs are performance-vesting equity incentive awards that will be earned based on our performance against metrics relating to annual Adjusted EBITDA, annual revenue, and guest satisfaction. Awards will vest after a three-year performance period and may be earned at a level ranging from 0%-200% of the number of PSUs granted, depending on performance. On April 3, 2017, the Company awarded 126,953 of targeted PSUs with the number of shares determined based upon the closing price of our common stock on March 31, 2017 of \$8.96. Based on the financial statements as of December 31, 2017, the Company assessed the applicable metrics related to the PSU grants, determined the blended probability of achieving the performance metrics and valued the awards based on the fair value at the date of grant with the amount of stock compensation expense determined based on the number of PSU's expected to vest.

### ***2016 CEO Share Allocation Plan***

In April 2016, the Company's Board of Directors adopted the 2016 CEO Share Allocation Plan (the "2016 Plan") and in June 2016, the Company's shareholders approved the 2016 CEO Share Allocation Plan, pursuant to which the Company will grant awards covering up to 1,000,000 shares of the Company's common stock in the form of restricted stock, restricted stock units, and/or other stock- or cash-based awards to eligible employees and other service providers of the Company. The 2016 CEO Share Allocation Plan was adopted in connection with a contribution agreement that the Company entered into with Sven-Olof Lindblad, Chief Executive Officer and President of the Company, pursuant to which Mr. Lindblad will transfer up to 1,000,000 shares from his holdings of the Company's common stock (i.e., an equivalent number of shares as is reserved for issuance under the 2016 CEO Share Allocation Plan) (the "Contribution Shares") to the Company as a contribution to the capital of the Company. Mr. Lindblad will not receive any consideration in exchange for the Contribution Shares. However, as a condition to the contribution of any Contribution Shares, the Company must grant awards under the 2016 CEO Share Allocation Plan, such that the number of Contribution Shares that Mr. Lindblad actually contributes to the Company will equal the number of shares corresponding to awards granted under the plan. The contribution of the Contribution Shares by Mr. Lindblad to the Company will effectively reduce the number of shares of the Company's common stock that are outstanding by the same number of shares that would be issued under the 2016 CEO Share Allocation Plan (or a lesser number in the event awards are settled in cash). Such contributions will be effective as of the date the Company grants corresponding awards under the 2016 CEO Share Allocation Plan. The administrator may amend, suspend or terminate the 2016 CEO Share Allocation Plan at any time.

On January 10, 2017, Mr. Lindblad contributed to the Company and the Company thereafter granted, 716,550 restricted shares at a grant price of \$9.65. The grants vest in three equal installments on January 10, 2017, January 10, 2018 and January 10, 2019.

### 2015 Long-Term Incentive Plan

In July 2015, the Company's Board of Directors and shareholders approved the 2015 Long-Term Incentive Plan (the "2015 Plan"), which is administered by the Board of Directors, allowing the Company to issue up to 2,500,000 shares of its common stock to employees, consultants and non-employee directors. The 2015 Plan provides for the grant of stock options, including incentive stock options and nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units and other stock or cash-based awards. The Board of Directors has the authority to determine the amount and type of each award. The 2015 Plan expires on July 8, 2025. All options granted under the 2015 Plan will be at exercise prices not less than 100% of the fair market value of the Company's common stock on the date of grant.

#### Performance Share Units

Performance shares are shares of stock granted to an employee, non-employee director or other service providers for which sale is prohibited for a specified period of time. PSUs represent a promise to deliver shares to the employee, non-employee director or other service providers at a future date if certain vesting conditions are met. The Company does not deliver the shares associated with the PSUs to the employee, non-employee director or other service providers until the vesting conditions are met.

The following table is a summary of restricted stock and PSU activity under the Company's 2015 Plan:

	<u>PSU's</u>	<u>Weighted Average Grant Date Fair Value</u>
PSUs unvested as of December 31, 2016	-	\$ -
Granted	126,953	8.98
Vested	-	-
Forfeited	(39,161)	8.98
PSUs unvested as of December 31, 2017	87,792	\$ 8.98

#### Restricted Shares and Restricted Share Units

Restricted shares are shares of stock granted to an employee, non-employee director or other service providers for which sale is prohibited for a specified period of time. RSUs represent a promise to deliver shares to the employee, non-employee director or other service providers at a future date if certain vesting conditions are met. The Company does not deliver the shares associated with the RSUs to the employee, non-employee director or other service providers until the vesting conditions are met.

The following table is a summary of restricted stock and RSU activity under the Company's 2015 Plan:

	<u>Restricted Shares and RSU's</u>	<u>Weighted Average Grant Date Fair Value</u>
Restricted shares and RSUs outstanding as of December 31, 2016	202,091	\$ 9.90
Granted	940,147	9.56
Vested	(299,951)	9.72
Forfeited	(63,945)	9.41
Restricted shares and RSUs outstanding as of December 31, 2017	778,342	\$ 9.60

#### Stock Options

Stock compensation expense related to options are recorded based on the fair value of stock option grants, amortized on a straight-line basis over the employee's required service period. The Company estimated the fair value of employee stock options using the Black-Scholes option pricing model. The fair values of employee stock options granted under the Lindblad Plan and 2015 Plan were estimated using the following assumptions:

	<u>Option grants</u>		
	<u>12/11/14</u>	<u>11/10/15</u>	<u>Weighted Average 2016</u>
Stock price	\$ 5.02	\$ 10.58	\$ 9.63
Exercise price	1.76	10.58	9.63
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	60.00%	60.00%	60.00%
Risk-free interest rate	2.19%	1.72%	1.18%
Expected term in years	5.11	5.11	5.11

The following table is a summary of activity under the Lindblad Plan and 2015 Plan :

	<u>Option Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value</u>
Options outstanding as of December 31, 2016	2,130,848	\$ 2.57	2.8	\$ 14,654,221
Granted	-	-		
Exercised	955,424	1.76		
Forfeited	-	-		
Options outstanding as of December 31, 2017	<u>1,175,424</u>	\$ 3.23	2.4	\$ 7,707,255
Exercisable as of December 31, 2016	-	-		
Vested #	955,424	1.76		
Exercised	(955,424)	1.76		
Forfeited	-	-		
Exercisable as of December 31, 2017	<u>-</u>	-		-

# Vested shares do not include 955,424 shares vested as of December 31, 2017 but not exercisable until January 1, 2018.

### ***Stock Compensation Expense***

Stock-based compensation expense for 2017, 2016 and 2015 was \$10.6 million, \$5.4 million and \$4.9 million, respectively, and is included in general and administrative expenses. The total income tax benefit recognized for stock based compensation plans for 2017, 2016 and 2015 was \$0.1 million, \$0.1 million and \$1.3 million, respectively. As of December 31, 2017, unrecognized stock-based compensation costs were \$6.0 million. This amount is expected to be recognized over a weighted average period of approximately one year.

### **NOTE 12 – RELATED PARTY TRANSACTIONS – STOCKHOLDER LOANS**

Other than as described below, since January 1, 2015, the Company has not entered into, and there are no currently proposed, related party transactions.

#### ***Capitol Acquisition Corp. II***

All of the initial shares of common stock issued by Capitol to its sponsor and initial shareholders (Capitol Acquisition Management 2 LLC, L. Dyson Dryden, Lawrence Calcano, Richard C. Donaldson and Piyush Sodha) were placed in escrow with Continental Stock Transfer & Trust Company, as escrow agent, until one year after the date of the consummation of the Capitol's merger with Lindblad (July 8, 2016) including certain founder forfeiture shares which are subject to forfeiture in the event the last sales price of our stock does not equal or exceed \$13.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period within four years following July 8, 2015. The portion of the founder shares not subject to forfeiture were released from escrow following July 8, 2016. The founder forfeiture shares remain in escrow and will be released from escrow when and if the conditions for release set forth above are satisfied.

Commencing on May 10, 2013, Capitol paid Venturehouse Group, LLC, an affiliate of Mark D. Ein, a fee of \$7,500 per month for providing Capitol with office space and certain office and administrative services through the initial business combination of July 8, 2015. This arrangement was solely for Capitol's benefit and was not intended to provide Mr. Ein compensation in lieu of a salary. For the year ended December 31, 2015, the aggregate cash fee paid to Venturehouse Group, LLC was \$45.0 thousand.

To meet Capitol's working capital needs, from time to time, Capitol's officers, directors, initial shareholders or their affiliates loaned Capitol funds in their sole discretion prior to the initial business combination. The aggregate amount of the loans was approximately \$1.6 million. All loans were repaid upon consummation of the Company's initial business combination, without interest, with the exception of \$0.5 million of the notes that were converted into warrants at a price of \$1.00 per warrant at such time.

The holders of Capitol's initial shares, as well as the holders of the sponsor warrants and all note conversion warrants are entitled to registration rights pursuant to an agreement signed in connection with Capitol's initial public offering. The Company filed a Form S-3 resale registration statement required by such registration rights agreement that was declared effective by the Securities and Exchange Commission on September 16, 2015.



Capitol reimbursed its officers and directors for reasonable out-of-pocket business expenses incurred by them in connection with certain activities on its behalf such as identifying and investigating possible target businesses and business combinations prior to the initial business combination. As of July 8, 2015, Capitol had reimbursed its initial shareholders approximately \$0.1 million for out-of-pocket business expenses incurred by them in connection with activities on its behalf.

Other than the fees described above and reimbursable out-of-pocket expenses payable to Capitol's officers and directors, no compensation or fees of any kind, including finder's fees, consulting fees or other similar compensation, were paid to any of Capitol's initial shareholders, including its officers or directors, or to any of their respective affiliates, prior to or for services rendered in connection with the business combination.

#### ***Lindblad Expeditions, Inc.***

On November 3, 2014, LEX and Sven-Olof Lindblad entered into a certain Loan and Security Agreement ("Loan Agreement") and a certain Promissory Note made by Mr. Lindblad in favor of LEX for a maximum aggregate principal amount of up to \$3.5 million. The interest rates of the Promissory Note were the applicable federal rate for loans of equal tenor for the months in which amounts were provided to Mr. Lindblad by LEX, as published by the Internal Revenue Service for purposes of Section 1274(d) of the Internal Revenue Code. Mr. Lindblad pledged his right, title and interest in and to all of the issued and outstanding shares of capital stock of LEX held by him to LEX as collateral for repayment of the Promissory Note. The Promissory Note was satisfied and the Loan Agreement terminated on March 9, 2015 pursuant to the Assignment and Assumption Agreement described below. Prior to such satisfaction and termination, approximately \$2.8 million had been advanced by LEX to Mr. Lindblad and no principal or interest had been repaid by Mr. Lindblad.

On March 9, 2015, Mr. Lindblad and LEX entered into an Assignment and Assumption Agreement pursuant to which Mr. Lindblad (i) assigned and transferred to LEX his right to receive a \$5.0 million fee payable by DVB and (ii) exercised his outstanding option to purchase 2,857 shares of LEX's stock for an aggregate exercise price of \$92.5 thousand. In exchange for the assignment to LEX of the fee payable by DVB, all of Mr. Lindblad's obligations under the Loan Agreement described above were deemed satisfied in full, the Loan Agreement and related Promissory Note were terminated, and Mr. Lindblad's obligation to pay the aggregate exercise price for the exercise of the option described above was satisfied in full. Following receipt of the fee from DVB, LEX paid to Mr. Lindblad an amount equal to (a) the fee paid by DVB, less (b) the outstanding amount of principal and interest owed under the Loan Agreement at the time of entry into the Assignment and Assumption Agreement, the aggregate exercise price payable in connection with the exercise of the option, and a collection premium equal to one percent of the outstanding amount of principal and interest payable in connection with the loan, and less (c) any required withholding taxes.

Prior to the debt refinancing and the completion of the purchase of CFMF on May 8, 2015, CFMF served as the junior lender pursuant to LEX's junior credit facility. CFMF was deemed to have control of LEX through (a) CFMF's possession of a warrant to purchase 60% of LEX for nominal consideration that could be exercised at any time and (b) a shareholder agreement between CFMF and LEX under which CFMF was declared to be in control of LEX and for which CFMF was awarded two of the three seats on LEX's Board of Directors. On December 11, 2014, LEX entered into a Profit Participation Loan Purchase Agreement with DVB, a Profit Participation Rights Purchase Agreement with Buss Kreuzfahrtfonds 1 GmbH & Co. KG and Buss Kreuzfahrtfonds 2 GmbH & Co. KG, and a Stock Purchase Agreement with Cruise/Ferry Finance Partners Private Foundation. These three agreements enabled LEX to purchase the financial and equity interests in CFMF in order to recapture and extinguish a warrant to purchase 60% of the outstanding equity of LEX on a fully diluted basis. On December 11, 2014, the date of the purchase agreements, an initial payment of \$25.0 million was made to DVB under the Profit Participation Loan Purchase Agreement. The remaining payments of (i) \$22.7 million to DVB, (ii) \$48.4 million to Buss Kreuzfahrtfonds 1 GmbH & Co. KG and Buss Kreuzfahrtfonds 2 GmbH & Co. KG, as increased by \$339,100 per month from December 31, 2014 until the close of the transaction, and (iii) \$1.00 to Cruise/Ferry Financing Partners Private Foundation were made on May 8, 2015. DVB served as agent and security trustee under LEX's credit facilities prior to the refinancing on May 8, 2015, and was one of the Senior Lenders under the then current senior credit facility. In connection with the purchase of CFMF completed on May 8, 2015, the senior credit facility was paid off and the junior credit facility was cancelled.

The Company and National Geographic collaborate on exploration, research, technology and conservation in order to provide travel experiences and disseminate geographic knowledge around the globe. The Lindblad/National Geographic alliance is set forth in (i) an Alliance and License Agreement and (ii) a Tour Operator Agreement. During calendar year 2017, LEX paid an aggregate of \$5.2 million to National Geographic under these agreements, which are included within selling and marketing expenses on the accompanying consolidated statements of operations. The extension of the agreements between LEX and National Geographic in connection with the mergers was contingent on the execution by Mr. Lindblad of an option agreement granting National Geographic the right to purchase from Mr. Lindblad, for a per share price of \$10.00 per share, five percent of the issued and outstanding shares of Capitol's common stock as July 8, 2015, including all outstanding options, warrants or other derivative securities (excluding options granted under the 2015 Plan, 15,600,000 shares issuable upon the exercise of warrants and 1,250,000 shares of escrowed common stock, unless such escrowed shares are released from escrow, in which case such shares will be included in the 5% calculation).

On May 4, 2016, in connection with the Natural Habitat acquisition, Natural Habitat issued an unsecured promissory note to Mr. Bressler with an outstanding principal amount of \$2.5 million due at maturity on December 31, 2020.

In connection with the mergers, the shareholders of Capitol prior to its initial public offering — Capitol Acquisition Management 2 LLC, L. Dyson Dryden, Lawrence Calcano, Richard C. Donaldson and Piyush Sodha —collectively agreed to make a charitable contribution of an aggregate of 500,000 founder’s shares in Capitol to the Lindblad Expeditions – National Geographic Joint Fund for Exploration and Conservation (“LEX-NG Fund”), established by National Geographic, for no additional consideration. The LEX-NG Fund is managed jointly by a Lindblad staff member and a National Geographic staff member and the board is comprised of five members with Mr. Lindblad acting as Chairman.

#### NOTE 13 – SEGMENT INFORMATION

During the second quarter of 2016, the Company completed its acquisition of Natural Habitat. As a result of the acquisition, the Company updated its reporting information and its operating segments to add Natural Habitat as a separate operating and reporting segment.

As of December 31, 2017 and 2016, total assets for the Lindblad segment and Natural Habitat segment were \$382.7 and \$49.6 and \$366.0 million and \$41.7 million, respectively. As of December 31, 2017 and 2016, there were \$4.8 and \$5.5 million, respectively, of intangibles, net related to the Lindblad segment. As of December 31, 2017 and 2016 there were \$22.1 million in goodwill and \$4.8 and \$5.6 million in intangibles, respectively, net on the accompanying consolidated balance sheet that were related to the Natural Habitat segment.

For the years ended December 31, 2017 and 2016, amortization of tradenames of \$0.2 million and \$0.1 million, respectively, and customer lists of \$0.7 million and \$0.5 million, respectively, were related to the Natural Habitat segment. For the years ended December 31, 2017 and 2016 there were \$1.4 million and \$0.9 million in depreciation and amortization expense and \$0.7 and \$0.1 million in capital expenditures, respectively, related to the Natural Habitat segment. There were \$2.0 and \$0.5 million in intercompany tour revenues between the Lindblad and Natural Habitat segments eliminated in consolidation for the years ended December 31, 2017 and 2016, respectively. For the years ended December 31, 2017, 2016 and 2015, amortization expense related to operating rights were \$0.7, \$0.7 and \$0.3 million, respectively, for the Lindblad segment. Capital expenditures for the years ended December 31, 2017, 2016 and 2015 were \$79.8, \$75.9 and \$14.8 million, respectively, for the Lindblad segment. Depreciation and amortization expense for the years ended December 31, 2017, 2016 and 2015 were \$16.0, \$18.0 and \$11.6 million, respectively, for the Lindblad segment.

The Company evaluates the performance of its business segments based largely on tour revenues and operating income, and results of the segments without allocating other income and expenses, net, income taxes and interest expense, net. For the years ended December 31, 2017, 2016 and 2015, the following operating results were:

(In thousands)	For the years ended December 31,						
	2017	2016	Change	%	2015	Change	%
<b>Tour revenues:</b>							
Lindblad	\$ 216,815	\$ 207,836	\$ 8,979	4%	\$ 209,985	\$ (2,149)	(1%)
Natural Habitat*	49,689	34,510	15,179	44%	-	34,510	NA
<b>Total tour revenues</b>	<b>\$ 266,504</b>	<b>\$ 242,346</b>	<b>\$ 24,158</b>	<b>10%</b>	<b>\$ 209,985</b>	<b>\$ 32,361</b>	<b>15%</b>
<b>Operating income:</b>							
Lindblad	\$ 7,292	\$ 11,794	\$ (4,502)	(38%)	\$ 15,502	\$ 3,708	(24%)
Natural Habitat*	3,452	2,187	1,265	58%	-	(2,187)	NA
<b>Total operating income</b>	<b>\$ 10,744</b>	<b>\$ 13,981</b>	<b>\$ (3,237)</b>	<b>(23%)</b>	<b>\$ 15,502</b>	<b>\$ 1,521</b>	<b>(10%)</b>

\* The 2016 Natural Habitat segment results represent activity from acquisition date of May 2016 through December 31, 2016.

**NOTE 14 – QUARTERLY FINANCIAL DATA – UNAUDITED**

The following is the quarterly financial data for the years ended December 31, 2017 and 2016:

(In thousands, except per share data)	2017				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Tour revenues	\$ 63,128	\$ 55,571	\$ 84,584	\$ 63,221	\$ 266,504
Gross profit	\$ 30,525	\$ 26,874	\$ 46,104	\$ 27,475	\$ 130,978
Net income (loss)	\$ 625	\$ (2,578)	\$ 9,443	\$ (15,019)	\$ (7,529)
Diluted earnings (loss) per share	\$ 0.01	\$ (0.06)	\$ 0.20	\$ (0.36)	\$ (0.19)

(In thousands, except per share data)	2016				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Tour revenues	\$ 61,573	\$ 53,871	\$ 70,774	\$ 56,128	\$ 242,346
Gross profit	\$ 36,299	\$ 24,481	\$ 38,328	\$ 24,261	\$ 123,369
Net income (loss)	\$ 10,467	\$ (4,494)	\$ 7,447	\$ (8,361)	\$ 5,059
Diluted earnings (loss) per share	\$ 0.23	\$ (0.10)	\$ 0.16	\$ (0.19)	\$ 0.10

**AMENDMENT NO. 4**

National Geographic Partners, LLC (“**NGS**”)  
 1145 Seventeenth Street, NW  
 Washington, DC 20036  
 USA

Lindblad Expeditions, LLC (“**Lindblad**”)  
 96 Morton Street  
 New York, NY 10014  
 USA

This the **FOURTH** amendment (“**Amendment 4**”), dated as of December 29, 2017, to that Alliance and License Agreement effective as of December 12, 2011, as amended on November 20, 2014 (“**Amendment 1**”) and March 9, 2015 (“**Amendment 2**”) and December 5, 2016 (“**Amendment 3**”), between NGS and Lindblad (collectively, the “**Agreement**”).

NGS and Lindblad (desire to modify the Agreement as follows:

1. The first paragraph of Subsection 5(a) shall be deleted in its entirety and replaced with the following.
2. NGS hereby grants to Lindblad a non-exclusive license to use the Licensed Property for the advertising and promotion of Lindblad Trips (A) during the Term in Australia, New Zealand and the United States, its territories and possessions, and (B) commencing with Lindblad Trip and NGE/Lindblad Trip departures booked on or after December 5, 2016 through and including December 31, 2018 (the “**Europe/Asia Term**”), in Europe and Asia. Europe, Asia, Australia, New Zealand and the United States, its territories and possessions shall be collectively referred to as the “Territory”; provided, however, that Europe and Asia shall be removed from such definition upon expiration of the Europe/Asia Term, if not extended in writing, by mutual agreement of the Parties. In the event Lindblad wishes to use the Licensed Property in advertising and promotion directed at a specific region outside the Territory, NGS and Lindblad may mutually agree in writing in advance. In addition, NGS hereby grants to Lindblad a non-exclusive license to use the Licensed Property in association with the Lindblad Expeditions name, trademarks, service marks and logos in connection with promotional and public relations communications in the Territory relating to Lindblad Trips departing during the Term to destinations worldwide, subject to the terms, limitations and conditions of this Agreement. Notwithstanding the foregoing, Lindblad shall make no use of the Licensed Property:
3. All other terms and conditions of the Agreement shall continue in full force and effect, including, without limitation, all representations, warranties and indemnities.
4. Each capitalized term used but not defined in this Amendment shall have the meaning ascribed to it in the pertinent Agreement

**NATIONAL GEOGRAPHIC PARTNERS, LLC**

By: /s/ Jeffrey Schneider  
 Name: Jeffrey Schneider  
 Date: 1/9/2018

**LINDBLAD EXPEDITIONS, LLC**

By: /s/ Philip Auerbach  
 Name: Philip Auerbach  
 Date: 12/29/17

[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

## **SHIPBUILDING CONTRACT**

**BETWEEN**

**ULSTEIN VERFT AS  
( AS “BUILDER”)**

**AND**

**LINDBLAD MARITIME ENTERPRISES, LTD ( AS “BUYER”)**

**FOR**

**ONE ULSTEIN® CX104 Exploration Cruise Vessel**

**BUILDER’ S HULL NO : 312**

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## CONDITIONS OF CONTRACT

### PREAMBLE

THIS CONTRACT is made this 1<sup>st</sup> day of November, 2017 by and between:

**Ulstein Verft AS** (business org. no. 912 447 561), a company organised and existing under the laws of Norway, having its principal office at Osneset, N-6065 Ulsteinvik, Norway, (hereinafter called the “Builder”) and

**Lindblad Maritime Enterprises, Ltd** (business org. no. CT-185923), a company organised and existing under the laws of the Cayman Islands, having an office at 99 Morton Street, New York, New York (hereinafter called the “Buyer”).

### WHEREBY

In consideration of the mutual covenants herein contained, the Builder agrees to design, build, launch, equip, complete, sell and deliver to the Buyer at the Builder’s shipyard the “Vessel” as hereinafter described; and the Buyer agrees to purchase the “Vessel”, take delivery and pay for it;

all in accordance with the terms hereinafter set forth.

**ARTICLE I**

**DEFINITIONS**

In this CONTRACT the following words shall have the meaning set out herein below:

- “Affiliate(s)”** means in relation to any party; any company, corporation or other legal entity, which directly or indirectly: (a) is controlled by such party; or (b) controls such party; or (c) is under common control with such party. For the purposes of this definition a company is directly controlled by another company if such other company holds shares, quotas or voting rights, carrying in the aggregate fifty per cent (50%) or more of the votes exercisable at shareholder meetings
- “Banking Days”** days where banks are open for business in:  
Norway and the United States
- “Builder”** the company referred to as “Builder” in the preamble, inclusive of its servants and employees
- “Buyer”** the company referred to as “Buyer” in the preamble, inclusive of its servants and employees
- “Buyer’s Supplies”** any item, equipment, stores or services ordered directly by the Buyer from the manufacturer or supplier, which shall not be supplied and/or paid for by the Builder in accordance with the terms of the Contract
- “Classification Society”** the Classification Society referred to in Article II, clause 3  
**or “Class”**
- “Conditions of Contract”** means the Preamble and Articles I to Articles XXI of this Contract
- “Contract”** the Conditions of Contract, the Specifications and Drawings attached as Appendix I-IX, and any amendments thereto (if in writing and signed by Builder and Buyer)
- “Contract Deadweight”** the weight set out in Article 2, clause 2
- “Contract Delivery Date”** the date set out in Article VIII, clause 1
- “Contract Price”** the Original Contract Price as set out in Article III, clause 1, as may be adjusted in accordance with the terms of the Contract
- “Date of Contract”** the date specified in the preamble to this Contract, regardless of whether the Contract actually is effective on this date or whether the Contract is signed subject to conditions to be fulfilled



<b>“Deadweight”</b>	difference between (i) displacement of the Vessel at its design draft draught at even keel and (ii) Lightweight
<b>“Defect”</b>	any deficiency or non-conformity in the design, construction, material and/or workmanship of the Vessel (excluding always any Buyer’s Supplies) for which the Builder and/or the Builder’s Subcontractors are liable.
<b>“Delivery and Acceptance”</b>	the delivery of the Vessel from the Builder to the Buyer and acceptance thereof by the Buyer in accordance with Article VIII, clause 2
<b>“Delivery Date”</b>	Contract Delivery Date as set out in Article VIII, clause 1, as may be adjusted for Net Delay and/or otherwise in accordance with the provisions of the Contract
<b>“Drawings”</b>	the plans and drawings listed in Appendix I hereto
<b>“Financial Liability”</b>	the total amount paid, payable, credited or to be credited by or on behalf of the Builder to the Buyer directly, or for the benefit of the Buyer, including but not limited to the specified liquidated damages in Article IV and any other monetary or financial liability the Builder may have to the Buyer, whether such liability is known or unknown to the parties at the date of the Contract, excluding the refund of moneys advanced to the Builder by the Buyer in instalments of the Contract Price and any interest on those instalments that the Builder becomes obligated to pay to the Buyer
<b>“Flag State”</b>	the State referred to in Article II, clause 5
<b>“Force Majeure”</b>	any one or more of the events set out in Article IX, clause 1
<b>“Force Majeure Delay”</b>	a delay caused by Force Majeure, which according to Article IX constitutes Permissible Delay
<b>“Gross Negligence”</b>	a negligent act or negligent failure to act, which act or omission would reasonably be perceived as entailing an extreme degree of risk of injury to a person or physical loss of or damage to property (considering the probability and magnitude of the potential injury, loss or damage), coupled with indifference to such extreme risk
<b>“Guarantee Period”</b>	a period of 12 months from the earlier of i) the Delivery and Acceptance of the Vessel, or ii) the date falling five (5) days after the Builder rightfully has tendered notice that the Vessel is ready for delivery in accordance with Article VII, clause 4 and Article VIII, clause 2, or iii) such other period as may be mutually agreed between the Buyer and the Builder

<b>“Intellectual Property Rights”</b>	all copyright, trade mark, patent or similar rights
<b>“Lightweight”</b>	the weight of the Vessel, fully completed and equipped, ready for normal operations, with zero (0) metric tonnes of Buyer’s Supplies and without consumables, crew, and bunkers, as determined by customary inclining experiment
<b>“Maker’s List”</b>	an agreed list of potential Subcontractors approved for equipment, machinery or services (as identified with respect to each such supplier) included in the Specifications
<b>“Net Delay”</b>	the actual delay in the construction of the Vessel determined as set forth in Article IX, clause 4
<b>“Original Contract Price”</b>	the price stipulated in Article III, clause 1
<b>“Permissible Delay”</b>	all delays, inclusive of Force Majeure Delay, causing delay in delivery of the Vessel which according to the terms of the Contract permit postponement of the Delivery Date
<b>“Regulatory Bodies”</b>	the relevant authorities imposing rules and regulations with which the construction and delivery of the Vessel must comply, as specified in this Contract, including the authorities of the Flag State together with other authorities set out in the Specifications
<b>“Representative”</b>	a person or persons authorised by the Buyer as set forth in Article V, clause 2
<b>“Specifications”</b>	the specifications included in Appendix I hereto
<b>“Subcontractor”</b>	any person (not being a servant or employee of the Builder) or company, with whom the Builder has entered into, or will enter into a contract for the design, construction, manufacture or supply of any item, equipment, work or service for the Vessel
<b>“Vessel”</b>	the vessel described in Article II.
<b>“Working Day”</b>	a day when work is normally performed in the country of the Builder’s yard as referred to in Article II, clause 1

[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

## ARTICLE II THE VESSEL, DESCRIPTION AND CLASS

### 1. Description

The Vessel shall be built at the Builder's yard in Ulsteinvik, and shall have the Builder's Hull No 312, and be designed, constructed, equipped, completed and delivered by the Builder in accordance with the provisions of this Contract.

In the event of inconsistency between the Conditions of Contract and the Specifications and/or the Drawings, the Conditions of Contract shall prevail. In the event of inconsistency between the Specifications and the Drawings, the Specifications shall prevail. In case of inconsistency between any of the Drawings, the later in date shall prevail.

The Vessel shall be designed and built in accordance with first class shipbuilding practice in Western Europe for new vessels of similar type and characteristics as the Vessel.

### 2. Main Dimensions and Characteristics

#### *Main dimensions*

Overall length: approx.	[*]
Loadline length approx.	[*]
Breadth moulded: approx.	[*]
Depth moulded to uppermost deck: approx	[*]
Draught max: approx	[*]
Design draft, moulded: approx	[*]

#### *Deadweight:*

The Vessel's Contract Deadweight shall be [\*] (of [\*]) on [\*] draft moulded and a density of sea water of [\*]. The Contract Deadweight shall include fuel, provisions, stores, freshwater, crew and passengers in addition to spare parts in excess of the requirements of Class.

#### *Propulsion machinery:*

Type: [\*] Max. continuous power [\*]

#### *Speed:*

The mean speed of the vessel in trials with propulsion motor output of [\*]

kW (85% of the output of the propulsion motors) shall be at least [\*] in two opposite direction double runs corrected to the following conditions:

- design draught of [\*]
- even keel or small trim
- clean bottom
- calm weather (wind speed 0 m/s and sea not exceeding State 2)
- deep water
- no current
- sea water temperature +15 °C
- fin stabilizers housed
- bow thrusters to have grids
- propulsion motor control in normal sea operation control mode
- ship steering by autopilot

[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

The speed determination to be based on the Builder's trial trip measured results. The ambient seawater temperature is to be corrected to 15 °C / density 1.025 and the opposite speed runs are to be averaged according to the latest ITTC guidelines. Wave and wind corrections are to be based on normal well known and accepted methods. Explanatory notes to the standards for ship manoeuvrability – MSC Circ. 1053.

*Fuel consumption:*

The brake specific fuel consumption for constant speed [\*] for each of the two (2) [\*] engines at [\*], as measured by the test cell power measurement system with a [\*] accuracy tolerance as further set out in Appendix VII, shall not exceed [\*]grams per kW hour. The fuel consumption test procedure calculations as measured for an E2 duty cycle shall be performed following testing in the [\*] test cell as further set out in Appendix VII.

The brake specific fuel consumption for constant speed [\*] for each of the two (2) [\*] engines at [\*], as measured by the test cell power measurement system with a [\*] accuracy tolerance as further set out in Appendix VII, shall not exceed [\*]grams per kW hour. The fuel consumption test procedure calculations as measured for an E2 duty cycle shall be performed following testing in the [\*] test cell, as further set out in Appendix VII.

On basis of the figures above as well as figures from [\*], the estimated fuel consumption of the Vessel is indicated in Addendum IX.

*Passenger and crew cabins*

The Vessel shall be designed for the accommodation of 126 passengers, 112 crew (including expedition crew, lecturers, helicopter crew and pilots) and 22 extra guests (guests of crew with space for guests), as per the Specifications.

*General:*

The further details of the above main particulars, as well as definitions and methods of measurement and calculation shall be as described in the Specification.

**3. Classification, Rules and Regulations**

The Vessel, including its machinery, equipment and outfittings shall be designed and constructed in accordance with the rules and regulations of DNV•GL (the Classification Society) in force or published on or before the Date of Contract, and which are mandatory for the Vessel, with the Class notations described in the Specifications, chapter G.

The Vessel shall further comply with the applicable rules, regulations and requirements of the Regulatory Bodies of Bahamas (the Flag State) in force on or before the date of keel-laying of the Vessel as set out in the Specification, chapter G and which are mandatory for the Vessel.

The Vessel to be constructed under special survey of the Classification Society, and Builder to arrange for a surveyor of the Classification Society to be assigned to Builder's yard for supervision of the construction. The Classification Society's decision as to compliance or non-compliance with the classification rules and regulations shall be final and binding upon both parties.

All fees and charges in respect of compliance with Class and the rules, regulation and requirements of the Class or Regulatory Bodies referred to above shall be for the account of the Builder.

#### **4. Subcontracting**

The Builder may, at its sole discretion and responsibility, subcontract any portion of the construction or outfit of the Vessel to Subcontractors identified in the Maker's List or otherwise agreed in writing between Buyer and Builder, subject to compliance with any requirement on the Specifications. The Builder shall remain fully liable for the due performance by Subcontractors as if done by the Builder at the Builder's yard.

Except as otherwise stated in the Specifications and/or the "Maker's List", or otherwise agreed in writing, the Builder may, without interference from the Buyer, freely choose its Subcontractors, but the Builder shall in ample time notify the Buyer in writing before placing major orders for equipment or services with Subcontractors, and shall give reasonable consideration to Buyer's request.

#### **5. Certificates and Registration**

The Builder shall provide, deliver and pay for all certificates specified in this Contract, including the Specifications, as further set out in the Contract, together with all documents reasonably required by the Buyer or necessary for the registration of the Vessel in the Commonwealth of the Bahamas (Flag State). The Vessel shall be registered by the Buyer at its own cost and expense after the Delivery and Acceptance. The Buyer may choose another flag during the construction, provided the Buyer bears all costs of any such change of flag, including costs related to changes in markings of the Vessel and compliance with other requirements by the Regulatory Bodies of such new flag state.

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### ARTICLE III PRICE AND PAYMENT TERMS

#### 1. Original Contract Price

The Original Contract Price is NOK One Billion and Sixty-six Millions (1,066,000,000).

The Contract Price of the Vessel includes an aggregate lump sum for the interior designer (architect) of [\*] as further described in Appendix IV. In the event the actual price of the interior design exceeds the sum set out above, the Contract Price shall be adjusted based on the Builder's actual cost of the interior design.

Further, the Contract Price of the Vessel includes an aggregate lump sum for the interior solution (accommodation) and certain other items as further described in Appendix V, of [\*]. In the event the actual price of the interior solution (which for the avoidance of doubt shall include [\*] exceeds the sum set out in Appendix V, [\*].

#### 2. Currency

All payments under the Contract shall be made in Norwegian Kroner (NOK), or in the event that an Exchange Rate Agreement in the form attached as Appendix VIII to this Contract, is entered into latest within 15:00 CET on Wednesday, 8 November 2017, an equivalent amount in USD based on the relevant exchange rate set out therein; provided that the Builder shall enter into such an Agreement if timely requested by the Buyer.

#### 3. Terms and Method of Payment

The Original Contract Price shall, subject to notices being given under this Article III, clause 5, be paid in instalments as follows:

- (a) 1st Instalment:  
The sum of NOK Two Hundred and Thirteen Million Two Hundred Thousand (213,200,000) (20% of the Contract Price) shall be paid as per Article III, clause 5.
  - (b) Instalment on Delivery and Acceptance:  
The sum of NOK Eight Hundred and Fifty-two Million Eight Hundred Thousand (852,800,000) (80% of the Contract Price) plus any increase or minus any decrease due to adjustments of the Contract Price hereunder, shall, subject to the other provisions of the Contract, be paid upon Delivery and Acceptance of the Vessel, but in no circumstances later than [\*] after the Builder has validly tendered notice that the Vessel is ready for delivery in accordance with Article VII, clause 4 (unless Buyer has validly rejected the Vessel and Article VII, clause 4(d) has not become effective).
4. All instalments (net of any bank or transfer charges) shall be remitted to DNB ASA, Builder's account no .

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5. The instalment due under 3(a) shall be due [\*] after Buyer's receipt of the refund guarantee pursuant to clause 6 (a). The instalment under 3 (b) shall under no circumstances fall due until [\*] from Buyer's receipt of written notice from the Builder, accompanied by an invoice for the amount payable. Notice of the instalment payable on Delivery and Acceptance shall include notice of adjustments, if any.
6. The following security shall be provided:
  - (a) latest within [\*] of signing of the Contract, the Builder shall provide the Buyer with a refund guarantee from DNB Bank ASA on terms set out in Appendix II, securing the repayment obligation of the Builder of the instalment under 3(a) if the Contract is lawfully cancelled by the Buyer. Failure by the Builder to issue a bank guarantee or other security satisfactory to the Buyer at the latest within [\*] shall entitle the Buyer to cancel this Contract.
  - (b) Upon signing of the Contract, the Buyer shall provide to the Builder a corporate guarantee from Lindblad Expeditions Holdings, Inc. on terms set out in Appendix I, securing the payment by the Buyer of the instalment on Delivery and Acceptance. Failure by the Buyer to issue a corporate guarantee as set out herein shall entitle the Builder to cancel this Contract and claim compensation for its losses.
  - (c) latest within [\*], the Buyer shall provide to the Builder a confirmation letter issued by the Buyer's bank, in form and substance satisfactory to the Builder, confirming the Buyer's committed long term financing of the Vessel, i.e. that the loan facility extended to the Buyer will be extended (has been agreed and committed) to cover the Instalment on Delivery and Acceptance, and stating that the loan facility shall not be available for any purpose other than the construction of the Vessel (hereafter the "Confirmation Letter"). In the event the Confirmation Letter is not received by the Builder at the latest within [\*], the Buyer shall be obliged to make a pre-payment of additional [\*] latest within [\*] after Buyer's receipt of a refund guarantee from DNB ASA and of equivalent tenor to that to be provided by the Builder pursuant to clause 6 (a) that secures the repayment obligation of the Builder in respect of such additional pre-payment if the Contract is lawfully cancelled by Buyer, whereafter the Instalment on Delivery and Acceptance shall be reduced accordingly. Failure by the Buyer to duly pay such additional [\*] within such [\*] shall entitle the Builder to cancel this Contract and claim compensation for its losses in an amount not to exceed [\*].
  - (d) Upon the Builder's due receipt of the pre-payment as set out in clause 6 (c), the Buyer shall have a new deadline for presenting to the Builder the Confirmation Letter latest within [\*]. In the event the Confirmation Letter is still not received by the Builder at the latest within [\*], the Buyer shall be obliged to make another pre-payment of additional [\*] latest within [\*] after Buyer's receipt of a refund guarantee from DNB ASA and of equivalent tenor to that to be provided by the Builder pursuant to clause 6 (a) that secures the repayment obligation of the Builder in respect of such additional pre-payment if the Contract is lawfully cancelled by Buyer, whereafter the Instalment on Delivery and Acceptance shall be reduced accordingly. Failure by the Buyer to duly pay such additional [\*] within such [\*] shall entitle the Builder to cancel the Contract and claim compensation for its losses in an amount not to exceed [\*].

**[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.**

- (e) Upon the Builder's due receipt of the pre-payment as set out in clause 6 (d), the Buyer shall have a new deadline for presenting to the Builder the Confirmation Letter latest within [\*]. In the event the Confirmation Letter is still not received by the Builder at the latest within [\*], the Buyer shall be obliged to make another pre-payment of additional [\*] latest within [\*] after Buyer's receipt of a refund guarantee from DNB ASA and of equivalent tenor to that to be provided by the Builder pursuant to clause 6 (a) that secures the repayment obligation of the Builder in respect of such additional pre-payment if the Contract is lawfully cancelled by Buyer, whereafter the Instalment on Delivery and Acceptance shall be reduced accordingly. Failure by the Buyer to duly pay such additional [\*] within such [\*] shall entitle the Builder to cancel the Contract and claim compensation for its losses in an amount not to exceed [\*].
- 7. Subject to the exceptions set forth in this clause 7, the Builder may retain the Vessel until full payment has been made in accordance with the agreed payment terms.
  - (a) If the Builder is unable to present a final account at delivery, the Buyer may require the Vessel to be delivered in return for a bank guarantee or other security, satisfactory to the Builder, for the reasonably estimated balance owed to the Builder. Costs of such guarantee shall be for Builder's account.
  - (b) In the event of any dispute concerning the payment on delivery of the Vessel, including the question of the Buyer's right to offset any claim it may have, the Buyer may by paying the entire amount demanded by the Builder require the Builder to provide a bank guarantee or other security satisfactory to the Buyer for the disputed amount. The Builder cannot in such case refuse to deliver the Vessel. If the Builder does not wish to issue security for the disputed part of the claim, the Buyer is entitled to take delivery of the Vessel against payment of the undisputed amount and provide a bank guarantee or other security satisfactory to the Builder for the disputed part of the claim. Security which has been issued by a party pursuant to this sub - clause terminates automatically unless the other party has initiated proceedings pursuant to Article XIX below within 3 months from date of issue of the security. The Tribunal shall decide who bears the cost of security between the parties.
  - (c) If on or before Delivery and Acceptance of the Vessel the Builder is declared bankrupt or insolvent, proposes or enters into a formal composition arrangement or fails to pay its accounts as they come due, the Buyer may demand that the Builder shall provide satisfactory security for the performance by the Builder of its guarantee obligations, limited to [\*] of the Original Contract Price, or failing such guarantee, the Buyer is entitled to deposit the equivalent amount in an escrow account in the joint name of the Builder and the Buyer and to deduct this amount from the instalment to be paid on Delivery and Acceptance.
- 8. Any breach by Buyer of its obligation to pay any part of the Contract Price when due shall entitle the Builder to [\*].



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**ARTICLE IV                      ADJUSTMENT OF CONTRACT PRICE – CANCELLATION BY THE BUYER**

The Contract Price shall be subject to adjustments, as hereinafter set forth, in any of the events set out in this Article IV (it being understood by both parties that any reduction of Contract Price is by way of liquidated damages and not by way of penalty). The liquidated damages payable by the Builder hereunder represent the sole and exclusive financial compensation payable to the Buyer in respect of the breaches of the Contract to which they relate and the Builder shall not in any way be responsible or liable to remedy or rectify such breaches or for any other loss or consequences by way of damages or otherwise as a consequence of any of the matters hereinafter set forth in this Article IV.

The Buyer's rights to liquidated damages, by way of a reduction in the Contract Price, for each of the circumstances set forth in this Article, are cumulative. If more than one circumstance applies, there shall be separate reductions for each, subject always to the limit set out below.

Notwithstanding anything to the contrary in this Article, or elsewhere in the Contract, the Builder's maximum total Financial Liability to the Buyer arising out of or in connection with this Contract, shall [\*]. This limit shall apply however that liability arises, including without limitation, a liability arising by breach of contract, arising by tort (including, without limitation, negligence of any type), arising by breach of statutory duty, or arising by direct consequence of a contractual obligation or right, including the credit of liquidated damages pursuant to this Article IV. The limitation of liability set out in this paragraph shall not apply to the Builder's obligation to rectify Defects pursuant to Section VII.4(d)(i) and (iii) and Article X of this Contract.

**1.            Delivery**

(a)        If the delivery of the Vessel is delayed beyond the Delivery Date, the Contract Price shall be reduced by deducting therefrom as follows:

1st - 10th day	[*]
11th - 20th day	[*]
21st - 180th day	[*]

[\*].

(b)        If the delay in delivery of the Vessel should continue for a period in excess of 180 days after Delivery Date, the Buyer may at its option cancel the Contract.

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Provided the Buyer has not sent notice of cancellation as provided for in Article XII hereof within [\*] of delay having elapsed after the Delivery Date, the Builder may thereafter demand in writing that the Buyer shall make an election either to cancel the Contract, or to consent to the acceptance of the delivery at a specific future date reasonably estimated by the Builder to be the date when the Vessel will be ready for delivery; in which case the Buyer shall, within fifteen (15) days after such demand is received by Buyer, notify the Builder of its choice it being understood that, if the Buyer elects not to cancel and the Vessel is not delivered by such future date, the Buyer shall have the right to cancel the Contract. Should the Buyer fail to give such notification within the said fifteen (15) days, the Buyer shall be deemed to have accepted the new date for delivery as proposed by the Builder. Buyer's acceptance (or deemed acceptance) of a later delivery date pursuant to this paragraph or paragraph (c) following shall be without prejudice to Buyer's rights to liquidated damages.

- (c) If the total accumulated delay of non-Permissible Delay and of Force Majeure Delay, but excluding other Permissible Delay, amounts to [\*] or more, then in such event the Buyer may cancel the Contract. The Builder may, at any time after expiry of the said [\*] demand in writing that the Buyer shall make an election either to cancel the Contract or to consent to the acceptance of the delivery at a specific future date reasonably estimated by the Builder to be the date when the Vessel will be ready for delivery, in which case the Buyer shall, within fifteen (15) days after such demand is received by Buyer, notify the Builder of its choice; it being understood that, if the Buyer elects not to cancel and the Vessel is not delivered by such future date, the Buyer shall have the right to cancel the Contract. Should the Buyer fail to give such notification within the said 15 days, the Buyer shall be deemed to have accepted the new date for delivery as proposed by the Builder.

## 2. Speed

- (a) If the speed as stipulated in Article II, clause 2 (as adjusted pursuant to Article II, clause 3 and/or Article VI as the case may be) is not achieved at the sea trial pursuant to Article VII and the specifications and this is not due to incorrect or inadequate information or measures given by the Buyer to the Builder in connection with the inclusion of the Buyer's Supplies, the Contract Price shall be reduced as follows:

(i) [\*].

(ii) [\*].

(iii) [\*].

[\*].

- (b) If the deficiency in speed is more than [\*], the Buyer may cancel the Contract, provided always that the reduction is not due to incorrect or inadequate information or measures given by the Buyer to the Builder in connection with the calculation of the Speed following the inclusion of the Buyer's Supplies.

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(c) If the actual speed of the Vessel is greater than the speed stipulated in Article II clause 2 (as adjusted pursuant to Article II clause 3 and/or Article VI as the case may be) the Buyer shall pay to the Builder premiums as follows:

(i) [\*].

(ii) [\*].

(iii) [\*].

[\*]

### 3. Fuel Consumption

The Builder shall have no liability for the fuel consumption except for such guarantees and undertakings as given by the main engine supplier and attached as Appendix VII, which shall be assigned to the Buyer

If the actual fuel consumption of one or more of the engine(s) at [\*,[\*], as measured on test bed by the test cell power measurement system with a [\*], as per Appendix VII, exceeds the figure(s) stipulated in Article II clause 2 (as further set out in Appendix VII), the Original Contract Price shall be reduced as described in Appendix VII.

If the fuel consumption of one or more of the Vessel's main engines exceeds the fuel consumption stipulated in Article II clause 2 as further described in Appendix VII, by [\*] or more, the Buyer may, at its option, either: (i) in lieu of a reduction of the Contract Price as set out in Appendix VII, reject such engine(s) as exceeds the respective limit set out herein and receive new [\*] engine(s) in compliance with the fuel consumption stipulated in Article II clause 2; or (ii) accept the relevant engine(s) as exceeds the respective limit set out herein at a reduction in the Original Contract Price corresponding to the maximum amount referred to in Appendix VII for the relevant engine(s) (being [\*] . If the Buyer rejects one or more of the engine(s) pursuant to (i) above, any delay in the delivery of the Vessel resulting directly from the need to replace the Vessel's main engine(s) shall be treated as a Permissible Delay in accordance with Article IX hereof.

### 4. Deadweight

If the Contract Deadweight stipulated in Article II, is not attained and this is not due to incorrect or inadequate information or measures given by the Buyer to the Builder in connection with the calculation of the Contract Deadweight following the inclusion of the Buyer's Supplies, and the reduction exceeds [\*, the Contract Price shall be reduced as follows:

(i) for each metric ton of reduction in deadweight in excess of the said [\*];

(ii) for each metric ton of reduction in deadweight in excess of the said [\*].

[\*].

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If the reduction in actual deadweight is more than [\*], the Buyer may cancel the Contract, provided always that the reduction is not due to incorrect or inadequate information or measures given by the Buyer to the Builder in connection with the calculation of the Contract Deadweight following the inclusion of the Buyer's Supplies.

[\*]

- (i) for each metric ton of increase in deadweight in excess [\*];
- (ii) for each metric ton of increase in deadweight in excess [\*].

[\*]

## 5. Noise and Vibrations

### (a) Noise:

If, at the time of Delivery and Acceptance of the Vessel, the noise level(s) of the Vessel in such areas and conditions as defined in the Specifications, chapter G.2, does not meet the requirements for the respective Class notations COMF-V(1) and COMF-V(3) (as applicable) as specified for the relevant areas of the Vessel as defined in the Specifications, chapter G.2 and as further described in Class guideline DNV GL – CG-0493, the Builder shall be allowed a period of up to [\*] after Delivery and Acceptance (or such longer period as may be agreed to by the parties in writing) to correct and/or remedy such non-conformities; provided that (unless and to the extent it may be agreed in writing between the parties to defer corrective or remedial action to the Vessel's next drydock or other another agreed time/place) the Builder shall act promptly and use reasonable commercial efforts to correct and/or remedy such non-conformities.

If, after such period of [\*] as set out in the paragraph above, the noise level(s) of the Vessel in such areas and condition as defined in the Specifications, chapter G.2, still does not meet the requirements for the respective Class notations COMF-V(1) and COMF-V(3) (as applicable) as specified for the relevant areas of the Vessel as defined in the Specifications, chapter G.2 and as further described in Class guideline DNV GL – CG-0493, and providing that this is not due to incorrect or inadequate information or measurements given by the Buyer to the Builder in connection with the calculation of the relevant noise levels following the inclusion of the Buyer's Supplies, the Contract Price shall be reduced as follows:

- (i) for the [\*] noise in excess of the Class notation requirements as set out in (a) above: [\*] ;
- (ii) for each [\*] in excess of the Class notation requirements as set out in (a) above: [\*] .

[\*] .

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(b) Vibration:

If, at the time of Delivery and Acceptance of the Vessel, the vibration level(s) of the Vessel in such areas and condition as defined in the Specifications, chapter G.2 as further described in Class guideline DNV GL – CG-0493, does not meet the requirements for the respective Class notations COMF-V(1) and COMF-V(3) (as applicable) as specified for the relevant areas of the Vessel as defined in the Specifications, chapter G.2, the Builder shall be allowed a period of up to [\*] after Delivery and Acceptance (or such longer period as may be agreed to by the Parties in writing) to correct and/or remedy such non-conformities; provided that (unless and to the extent it may be agreed in writing between the Parties to defer corrective or remedial action to the Vessel's next drydock or other another agreed time/place) the Builder shall act promptly and use reasonable commercial efforts to correct and/or remedy such non-conformities.

If, after such period of [\*] as set out in the paragraph above, the vibration level(s) of the Vessel in such areas and conditions as defined in the Specifications, chapter G.2, still does not meet the requirements for the respective Class notations COMF-V(1) and COMF-V(3) (as applicable) as specified for the relevant areas of the Vessel as defined in the Specifications, chapter G.2 and as further described in Class guideline DNV GL – CG-0493, and providing that this is not due to incorrect or inadequate information or measurements given by the Buyer to the Builder in connection with the calculation of the relevant vibration level(s) following the inclusion of the Buyer's Supplies, the Contract Price shall be reduced as follows:

- (i) for the first [\*] in excess of the Class notation requirements as set out in (b) above: [\*] ;
- (ii) for each [\*] up to and including [\*] of vibration in excess of the Class notation requirements as set out in (b) above: [\*] .

[\*].

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**6. Passenger and Crew Capacity**

- (a) The Vessel's passenger, staff and crew accommodations shall be as stated in the Specifications (including the number and type of different cabins and suites). No deviation shall be permitted without Buyer's express written approval. In the event of any deficiency in the accommodations not so approved by Buyer and this is not due to incorrect or inadequate information or measures given by the Buyer to the Builder in connection with the calculation of the Passenger and Crew Capacity following the inclusion of the Buyer's Supplies, the Contract Price shall be reduced as follows:
- (i) For each reduction in passenger accommodation, the reduction shall be [\*].
  - (ii) For each reduction in staff or crew accommodation, the reduction shall be [\*].
- [\*].
- (b) If the deficiency in the Vessel's passenger, staff and crew accommodation is more than [\*], the Buyer may cancel the Contract.

**ARTICLE V APPROVAL OF PLANS AND DRAWINGS AND INSPECTION DURING CONSTRUCTION**

**1. Approval of Plans and Drawings**

As soon as practical after the Date of Contract the Builder shall put forward a proposed detailed building schedule, including a schedule for testing. The Buyer shall make its comment on the schedule as soon as practical and at the latest within seven (7) days. The schedules shall be issued by the Builder in writing not later than thirty (30) days after the Date of Contract.

- (a) In accordance with the construction schedule of the Vessel and provisions in the Specifications, the Builder shall submit to the Buyer the plans and drawings for its approval in pdf format for ease of transmission and sharing. Plans and drawings will be distributed through Synergi Project Exchange WEB-portal. The Buyer and its designated Representative(s) will receive a notification by e-mail for all plans and drawings distributed to the said WEB-portal. The Buyer shall within ten (10) Working Days after receipt of e-mail notification, set approval status or upload its comments (if any) for the relevant plans and drawings to the Synergi Project Exchange WEB-portal. Such comments shall be as complete as possible.
- (b) If Buyer's uploaded comments on the plans and drawings are unclear or unspecified, the Builder may, by e-mail notice to the Buyer, request a clarification, and failure by the Buyer or its Representative to respond to this request within three (3) Working Days of receipt of such notice shall entitle the Builder to place its own reasonable interpretation on such comments or amendments when implementing the same.

- (c) If the Builder and the Buyer fail to agree whether such comments are of such a nature or extent as to constitute modification or change under Article VI hereof, the Builder shall nevertheless proceed with the construction based on the Buyer's comments if so requested in writing by the Buyer. If it is established by mutual agreement or by arbitration as per Article XIX, that the Buyer's uploaded comments, constitute a modification or change under Article VI, the Builder shall be entitled to an appropriate adjustment of the Contract Price, Delivery Date and/or the characteristics of the Vessel and Article VI, clause 1, first paragraph shall apply.
- (d) In the event that the Buyer fails to set approval status or upload its comments (if any) for the relevant plans and drawings to the Synergi Project Exchange WEB-portal within the time limit specified in (a) above, the Builder shall through Synergi Project Exchange WEB-portal or by e-mail to the Buyer request approval status or comments (if any) within three (3) days, failing which the Builder shall have the right to consider such plans and drawings as approved by the Buyer.
- (e) The Buyer's approval or non-approval of drawings shall not affect any of the Builder's obligations hereunder, including the Builder's obligation to deliver the Vessel fully approved by the Regulatory Bodies, or the Builder's responsibility under Article X hereof.

## **2. Appointment of Buyer's Representative**

The Buyer shall send to and maintain at the Builder's yard, at the Buyer's own cost and expense, one or more representatives at least one of which shall be duly authorised in writing by the Buyer (herein called the "Representative") to act on behalf of the Buyer in connection with approval of the plans and drawings, attendance to the tests and inspections relating to the Vessel, its machinery, equipment and outfitting, and any other matters for which he is specifically authorised by the Buyer. Any other limitation in the authorisation shall be specified in writing, and such authorisation shall be valid and binding upon the Buyer until withdrawn in writing by notice from the Buyer to the Builder.

The Buyer shall use commercially reasonable efforts to have the Representative present at all times required for necessary approvals to facilitate the construction of the Vessel in an effective manner.

## **3. Inspection by Representative**

Builder shall provide unimpeded access for the inspection of the Vessel, its machinery, equipment and outfittings (and to anywhere in the Builder's yard where there is work on or storage of items connected with construction of the Vessel) by the Classification Society, Regulatory Bodies and the Representative and/or his assistants throughout the entire period of construction.

The Representative and his assistants shall, during the construction of the Vessel, have the right to attend all tests, trials and inspections undertaken in respect of the Vessel, its machinery, equipment and outfittings. The Builder shall give reasonable notice in advance of any such tests and inspections to the Representative to enable him or any of his assistants to attend. Failure of the Representative or his assistant(s) to be present at such tests and inspections after due notice to him as above provided shall be deemed to be a waiver of his right to be present.

The Builder shall provide the Representative and/or his assistants with a similar right of inspection and supervision in respect of the work performed by the Subcontractor(s) of the construction of the hull of the Vessel, and the Builder shall make reasonable efforts to cause its other Subcontractors to provide the Representative and/or his assistants with a similar right of inspection and supervision in respect of the work performed by such Subcontractors.

In the event that Buyer or the Representative on behalf of the Buyer discovers any design, construction or material or workmanship which in its or his opinion does not conform to the requirements of the Contract (including the requirements for subcontracting), Buyer, the Representative or his assistants shall as soon as possible advise the Builder of such non-conformity. Unless the Builder agrees to rectify the matter, a notice thereof (which may be included in minutes of meeting or similar) shall be given to the Builder.

Neither any Inspection nor attendance of any test nor any failure to timely notify Builder of any defect or non-conformity shall relieve the Builder's obligation under the Contract or operate as a waiver of any objection to any design, construction, material or workmanship considered (or later determined to be) non-conforming or not of the standard required for due performance of this Contract.

#### **4. Facilities**

The Builder at its own expense shall furnish the Representative and his assistant(s) with adequate office space, and such other reasonable facilities according to the Builder's practice at, or in the immediate vicinity of, the shipyard as may be necessary or reasonably requested by Buyer to enable them to effectively carry out their duties.

#### **5. Division of Liability**

The Representative and his assistant(s) shall at all times be deemed to be the employees of the Buyer and not of the Builder.

The Builder, the Builder's employees, Affiliates and Subcontractors shall be under no liability whatsoever to the Buyer, the Representative or his assistant(s), or the Buyer's employees, Affiliates and/or subcontractors, and the Buyer shall keep the Builder, the Builder's employees, Affiliates and Subcontractors harmless, for personal injuries, including death, suffered during the time when he/she or they are on the Vessel, or within the premises of either the Builder or its Subcontractors or are otherwise engaged in or about the construction of the Vessel, unless, however, such personal injuries, including death, were caused by Gross Negligence of the Builder, or any of the Builder's employees, Affiliates or Subcontractors. Nor shall the Builder, the Builder's employees, Affiliates and/or Subcontractors be under any liability whatsoever to the Buyer, the Representative or his assistant(s), or the Buyer's employees, Affiliates and/or subcontractors for damage to, or loss or destruction of property of the Buyer or of the Representative or his assistant(s), or the Buyer's employees, Affiliates and/or subcontractors unless such damage, loss or destruction is caused by Gross Negligence of the Builder, or any of the Builder's employees, Affiliates or Subcontractors.



The Buyer, the Representative and his assistant(s), and the Buyer's employees, Affiliates and subcontractors shall be under no liability whatsoever to the Builder, the Builder's employees, Affiliates and/or Subcontractors, and the Builder shall keep the Buyer, the Representative or his assistant(s), and the Buyer's employees, Affiliates and subcontractors harmless, for personal injuries, including death, unless such personal injuries including death were caused by Gross Negligence of the Buyer, the Representative or his assistant(s), or the Buyer's employees, Affiliates and subcontractors. Nor shall the Buyer, the Buyer's employees, Affiliates and/or subcontractors be under any liability whatsoever to the Builder, the Builder's employees, Affiliates or Subcontractors for damage to, or loss or destruction of property of the Builder, the Builder's employees, Affiliates and/or Subcontractors unless such damage, loss or destruction were caused by Gross Negligence of the Buyer, the Representative or his assistant(s), or the Buyer's employees, Affiliates or subcontractors.

#### **6. Responsibility of Buyer**

The Buyer shall undertake and assure that the Representative and his assistant(s) shall carry out their duties hereunder in accordance with normal shipbuilding practice and in such a way as to avoid any unnecessary increase in building cost, delay in the construction of the Vessel, and/or any disturbance to the construction schedule of the Builder.

The Builder has the right to request the Buyer to replace the Representative or any of his assistant(s) who is deemed by the Builder to be unsuitable and unsatisfactory for the proper progress of the Vessel's construction. The Buyer shall investigate the situation by sending its representative(s) to the Shipyard if necessary, and if the Buyer considers that such Builder's request is justified, the Buyer shall effect such replacement as soon as convenient.

#### **7. Progress Reporting**

The Builder shall provide monthly progress reporting to the Buyer, which inter alia shall include reporting on progress, planned production schedule, disclosure and exploration of any slippage in previously reported schedule, list of agreed/disputed changes, list of agreed/disputed force majeure delays, etc .

**1. Modification of Specifications**

The work to be performed by the Builder under the Contract can be modified or changed by written request from S.V.P., unless another person is duly appointed in writing by the Buyer, provided that such modifications or changes will not adversely affect the Builder's other commitments, and provided further that the parties shall first agree to possible adjustment in Contract Price, the Delivery Date and such other terms and conditions occasioned by or resulting from such modification or change. Such agreement shall be effected either by way of exchange of letters duly signed by authorised representatives of the parties, or by signed change order form, or by minutes of meeting or similar signed by authorised representatives of the parties, which shall constitute the necessary amendments to the Contract. Any proposed increase or decrease in the Contract Price shall be calculated in accordance with unit prices (inclusive of administration costs) or budget prices if such prices are available, otherwise as per the Builder's customary price for such work. Notwithstanding the foregoing (but subject always to the Builder's right to refuse modifications or changes which adversely affect the Builder's other commitments), if Builder and Buyer do not agree on the nature or extent of any such adjustments, Buyer may by written instruction require Builder to proceed with the requested modification(s) or change(s) with the consequences of implementing such modification(s) and/or change(s) to be determined pursuant to Article XIX.

Any reasonable time and costs incurred by the Builder in preparation of offer(s) to the Buyer following a request for modification or change as set out above, which is not effected by way of signed change order forms or similar, shall be compensated by the Buyer.

The Builder is entitled to make minor modifications or changes to the Specifications if found necessary or desirable due to the availability of materials and equipment, the introduction of improvement methods or otherwise, provided that the Builder shall first obtain the Buyer's approval, which shall not be unreasonably withheld or delayed.

**2. Change in Rules and Regulations**

If, after the Date of Contract, there are any changes in the rules, regulations and requirements (or their application) of Class or Regulatory Bodies, the following shall apply:

- (a) Upon receipt of notice of such changes either party shall promptly notify the other party thereof.
- (b) If such change will be compulsory for the Vessel at the Contract Delivery Date, the Builder shall, unless the Buyer at its sole discretion seeks and obtains a waiver from the Classification Society or Regulatory Authorities (as appropriate), incorporate such alteration and/or change into the construction of the Vessel. The parties shall endeavour to agree on such adjustments to the Contract Price, Contract Delivery Date, changes in the Vessel's characteristics or other changes in the Contract as set out in clause 1 above. If the parties fail to agree on the changes, the Builder shall proceed with the required changes and the matter shall be decided in accordance with Article XIX;
- (c) If such change is not or will not be compulsory for the Vessel, but the Buyer nevertheless desires to incorporate such change, this shall be considered a change or modification, as provided for in clause 1 of this Article VI.

**3. Substitution of Materials**

If any of the materials, machinery or equipment required by the Specifications or the Maker's List or otherwise pursuant to this Contract cannot be procured in time or are in short supply, the Builder may, in order to maintain the Delivery Date and subject to the Buyer's approval, which shall not unreasonably be withheld and which shall be provided without undue delay, supply other materials, machinery or equipment of equal quality capable of meeting the requirements of the Classification Society or Regulatory Bodies if not negatively affecting performance or functionality or the appearance of any public space. No extra charges shall be made to the Buyer and, except that any savings shall be credited to the Buyer, the Contract shall remain unaltered.

**1. Notice**

The Builder shall before delivery, by not less than fifteen (15) days written notice to the Buyer, notify the time and place for the sea trial for the Vessel. The Buyer shall have its Representative on board the Vessel to witness the sea trial. Failure by the Representative to attend at the sea trial without any valid reason despite a notice to the Buyer as aforesaid, shall be deemed to be a waiver by the Buyer of its right to be present. Buyer may also have others, including prospective crew, aboard for the sea trial, which in total shall not exceed twelve (12) persons.

The Builder may after due notice conduct the sea trial without the Representative of the Buyer being present, provided a representative of the Classification Society is present, and in such case the Buyer shall be obligated to accept the results of the sea trial on the basis of a certificate of the Builder confirmed by the Classification Society stating the results of the sea trial.

**2. Weather Conditions**

The sea trial shall be carried out under weather conditions set out in the Specifications. Any delay in delivery caused by delay of the sea trial due to unfavourable weather conditions shall be considered Permissible Delay, provided that in the event of a delay so occasioned the sea trial shall be held on the first favourable day thereafter when conditions permit.

**3. How conducted**

The sea trial shall be carried out in the presence of representatives from the Classification Society and/or Regulatory Bodies, and shall be conducted in the manner described in the Specifications, and shall be sufficient in scope and duration to enable all parties to verify and establish that all elements are functioning in accordance with the Contract.

All expenses in connection with the sea trial shall be for the account of the Builder, including without limitation all necessary crew.

**4. Method of Acceptance or Rejection**

- (a) Upon completion of the sea trial and when the trial results are available, Builder shall promptly provide the results of the tests to Buyer in writing. If the Builder considers the results thereof demonstrates that the Vessel conforms with the Contract, the Builder shall promptly give the Buyer a written notice of completion stating when the Vessel is ready for delivery. This notice shall state where and when the vessel shall be available for delivery, which shall be at least fifteen (15) days after the notice is given (unless Buyer consents in writing to a shorter period). The Buyer shall within two (2) days after receipt of this notice (and the test results) notify the Builder in writing of its acceptance or rejection of the Vessel.

[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

- (b) If the results of the sea trial demonstrate that the Vessel or any part or equipment thereof does not conform to the requirements of the Contract the Builder shall take all necessary steps to rectify such non-conformity. If necessary the Builder shall for its own account carry out further sea trial in accordance with this Article VII to ascertain that the Vessel complies with the terms of the Contract. Upon demonstration by the Builder that the deficiencies have been corrected, Builder shall give a notice thereof, with the results of such re-test in writing and of the readiness of the Vessel for delivery, to the Buyer, who shall then within two (2) days after receipt of such notice together with the new test results notify the Builder of its acceptance or rejection of the Vessel.
- (c) If the Buyer for any reason rejects the Vessel, the Buyer shall state in which respects the Vessel does not conform to the requirements of the Contract with sufficient specificity to allow the Builder to consider whether there is a non-conformity or not.
- (d) If the non-conformity with the requirements of the Contract is of such a nature as to not materially interfere with the Vessel's ability to operate in the luxury polar expedition cruise service, and the Builder is unable to rectify the matter within a reasonable time, the Builder may nevertheless require the Buyer to take delivery of the Vessel, provided that the Builder first:
  - (i) undertakes writing to remedy the deficiency or fulfil the requirement for its own cost and expense and as soon as possible,
  - (ii) agrees in writing to indemnify the Buyer for any direct and documented loss incurred as a consequence thereof, including loss of time, and
  - (iii) provides a work guarantee or other security reasonably acceptable to Buyer in an amount sufficient to cover the expected cost (if accomplished by a third party in its own facility) of such deficiency.

Whereupon the Buyer shall accept delivery of the Vessel.

- (e) The Builder's liability in respect of (d) (ii) above shall be [\*].
- (f) If the Builder disputes the rejection by the Buyer, the case shall be submitted for final decision by arbitration in accordance with Article XIX hereof.
- (g) Failure in responding to the notice given by Builder under (a) or (b) above shall be deemed as unconditional acceptance of the Vessel by the Buyer.

#### **5. Effect of Acceptance**

Acceptance of the Vessel as provided above, shall be final and binding and shall preclude the Buyer from refusing formal delivery on basis of any alleged deficiency in any part or parts of the Vessel which were tested during the sea trial, provided all other procedural requirements for delivery have been met.

#### **6. Disposition of Stores of consumable nature**

Any fuel oil, unused lubricating oil, grease, fresh water or other consumable stores furnished by the Builder for the sea trial, remaining on board the Vessel at the time of Delivery and Acceptance shall be purchased by the Buyer from the Builder at the original net purchase price thereof (Builder to provide supporting invoices and documentation/monitoring or certificate (if applicable) as to quantities to Buyer establishing the total amount due). Payment thereof shall be effected by the Buyer together with payment of the final instalment of the Contract Price.

**ARTICLE VIII DELIVERY DATE AND DELIVERY**

**1. Time and Place**

Subject to the provisions of the following paragraphs, the Vessel shall be delivered at the Builder's yard (see Article II) or in the vicinity thereof free and clear of all liens, claims, mortgages and other encumbrances, on 21<sup>st</sup> January, 2020 (the Contract Delivery Date), except that in the event of delays in the construction of the Vessel or any performance required under the Contract due to causes which under the terms of the Contract permit postponement of the Delivery Date (Permissible Delay), the Delivery Date shall be postponed as provided by Article IX, clause 4.

The delivery range for the Vessel is not earlier than 18<sup>th</sup> November 2019 and not later than 21<sup>st</sup> January 2020 (the "Delivery Range") but for all purposes in relation to this Contract the contractual Delivery Date by which the Vessel shall be delivered shall be the date stated in this Article VIII Clause 1, first paragraph. Where the Builder considers that it may be able to deliver the Vessel prior to the last date within the Delivery Range then the provisions of this clause shall apply. By no later than 10<sup>th</sup> January 2019 the Builder shall make an assessment of whether it may be possible for the Vessel to be delivered within the Delivery Range. If in its sole assessment the Builder concludes that it is possible for the Vessel to be delivered prior to the last date within the Delivery Range then it shall give written notice to the Buyer of the date by which the Vessel can be delivered (the "Revised Delivery Date"). At the same time the Builder shall notify the Buyer of any additional price which the Builder estimates will be incurred in order to achieve the Revised Delivery Date. The Builder's notice shall include an offer to the Buyer to take delivery of the Vessel on the Revised Delivery Date on terms that there is an adjustment in Contract Price for any such additional price related to the delivery of the Vessel on the Revised Delivery Date and any other terms and conditions occasioned by or resulting from delivery of the Vessel on the Revised Delivery Date. Buyer shall accept or reject such offer by notice to Builder within twenty (20) days of receipt, and if accepted the change in the Delivery Date, the adjustment in the Contract Price and such other conforming adjustment to the terms and conditions of this Contract shall become binding on the parties.

The Buyer shall be obliged to take delivery of the Vessel before the Contract Delivery Date if validly tendered for delivery by the Builder, but not before 20<sup>th</sup> November 2019, and provided that the Builder has given notice in writing to the Buyer fifteen (15) days before such early delivery.

**2. When and how effected**

Upon the Vessel and the documents identified in clause 3 following being ready for delivery in accordance with the Contract and subject to the Builder having provided notice pursuant to Article VII, clause 4 (unless Buyer has validly rejected the Vessel and Article VII, clause 4(d) has not become effective), the Builder shall tender notice to the Buyer that the Vessel is ready for delivery, and the Buyer is obliged to accept delivery of the Vessel as then presented.

Provided that the Buyer has fulfilled all of its obligations under the Contract, Delivery and Acceptance of the Vessel shall be effected forthwith upon exchange and acceptance by the parties hereto of a Protocol of Delivery and Acceptance signed by each party acknowledging delivery of the Vessel and the required documentation by the Builder and the acceptance thereof by the Buyer.

**3. Documents to be delivered to the Buyer**

Upon Delivery and Acceptance of the Vessel, the Builder shall provide and deliver to the Buyer at its expense the following documents, which shall accompany the Protocol of Delivery and Acceptance:

- (a) **Protocol of Trials** made pursuant to the Specifications.
- (b) **Protocol of Inventory and Equipment** of the Vessel, including spare parts and the like, all as specified in the Specifications.
- (c) **Protocol of Stores of consumable nature** referred to under Article VII hereof which are payable by the Buyer to the Builder.
- (d) **Drawings and Plans** pertaining to the Vessel together with all necessary instruction manuals, as further stipulated in the Specifications.
- (e) **All Certificates** including the **Builder's Certificate** required to be furnished upon Delivery and Acceptance of the Vessel pursuant to the Contract and the Specifications. It is agreed that if, through no fault on the part of the Builder, the Classification Certificate and/or other required certificates are not available at the time of delivery, provisional certificates shall be accepted by the Buyer, provided that the Builder at its expense shall furnish the Buyer with final certificates as promptly as possible. All certificates with expiry dates shall be valid for a minimum period equal to the Guarantee Period.
- (f) **Declaration of Warranty** by the Builder that the Vessel is free and clear of any liens, claims, charges, mortgages, taxes, fines, duties or other encumbrances or obligations of any nature whatsoever.
- (g) **Commercial invoice**
- (h) **Acknowledgement of receipt of information about the Vessel's stability**
- (i) Such other documents as may reasonably be required by Buyer for purposes of registering the Vessel.

**4. Title and Risk**

Title to and risk of loss of or damage to the Vessel shall rest with the Builder until exchange of the Protocols of Delivery and Acceptance is effected, immediately upon which title and risk shall pass to the Buyer.

**5. Removal of Vessel**

The Buyer shall take possession of the Vessel immediately upon Delivery and Acceptance thereof, and shall remove the Vessel from the premises of the Builder within five (5) days after the Delivery and Acceptance as aforesaid. If the Buyer does not remove the Vessel within the said period, the Buyer shall pay reasonable mooring charges for the Vessel for up to seven (7) days and shall thereafter compensate the Builder for all losses and expenses arising in addition to mooring charges.

**1. Causes of Delay**

- (a) In case of Force Majeure Delay, the actual time lost by all such delays shall be Permissible Delay. A Force Majeure Delay shall occur if either the construction of the Vessel or any performance required as a prerequisite of Delivery and Acceptance of the Vessel is prevented or delayed as a consequence of:

Acts of God; acts of princes and rulers; requirements of government authorities; war or warlike condition, blockade, revolution, insurrections, mobilisation, civil commotion or riots, mobilisation; sabotage; strike or lockout (except a strike, lockout or other local labour disturbances at the Builder's yard and/or other facilities of the Builder), plague or other epidemics, pandemics, quarantines; flood, typhoons, hurricanes, storms or other extraordinary weather conditions not included in normal planning; earthquakes, volcanic eruptions, tidal waves, landslide; fires, explosions, collisions or stranding; embargoes; import or export bans or restrictions; prolonged failure, or shortage or restriction of electrical current, oil or gas;

and/or: any other extraordinary events beyond the control of the Builder;

and/or: inability to obtain delivery or delay in delivery of materials, machinery or equipment by Subcontractor(s) where the cause of delay would have been recognised as Force Majeure Delay under this Article IX if it had affected the Builder, provided that the Builder has shown due diligence in its choice of Subcontractor, so that at the time of ordering same it could reasonably be expected by the Builder to be delivered in time;

and/or: delays in the Builder's other commitments resulting from Force Majeure as herein described directly causing delay of the Builder's performance hereunder;

**Provided always:**

that there shall be no Force Majeure Delay if such delay could reasonably have been foreseen or anticipated by the Builder (or the Subcontractor, if applicable) on the Date of Contract (or date of subcontract, if applicable, or that it could have been prevented or overcome by the exercise of due diligence by the Builder (or Subcontractor, if applicable);

- (b) The provisions under sub-clause (a) above apply whether or not the Force Majeure occurs after the Delivery Date.

**2. Notice of delay**

- (a) Within ten (10) days after the Builder becomes aware of any cause of delay as aforesaid, on account of which the Builder will claim that it is entitled under the Contract to postpone the Delivery Date, the Builder shall notify the Buyer in writing or by e-mail, confirmed by registered mail, of the date such cause of delay commenced. Likewise, within ten (10) days after the Builder becomes aware of any such cause of delay ending, the Builder shall notify the Buyer in writing or by e-mail, confirmed by registered mail, of the date when such cause of delay ended.

Failure by the Builder to timely give such notices as aforesaid shall prevent the Builder from claiming Force Majeure Delay on account of such circumstances.

- (b) The Builder shall notify the Buyer of the period of Permissible Delay arising by reason of such Force Majeure Delay, with all reasonable despatch after it has been determined. Failure by the Buyer to object to the Builder's claim for Permissible Delay within ten (10) days after receipt by the Buyer of such notice shall be deemed to be a waiver by the Buyer of its right to object to the determination of the actual time lost by delay caused by the responsible event of Force Majeure.

**3. Permissible Delay**

Actual Delays in the construction of the Vessel arising on account of (i) Force Majeure Delay; (ii) Article VI and Article XII, clause 2 hereof; (iii) any other non-fulfilment by the Buyer of the Buyer's obligations hereunder; (iv) delays in the delivery of Buyer's Supplies; (v) late action by the Classification Society or other bodies whose documents are required; and/or (vi) delays in deliveries from the interior designer (architect) shall constitute Permissible Delay.

**4. Net Delay**

All events and circumstances giving rise to Permissible Delay shall be evaluated and re-evaluated from time to time during the construction process to assess their actual net effect, taken together in the aggregate, on the construction schedule using a critical path analysis ("Net Delay"). The Delivery Date shall be extended Working day for Working day for each day of Net Delay for any actual time lost by delay caused thereby.



**ARTICLE X**

**WARRANTY OF QUALITY**

**1. Extent of Builder's Responsibility**

Save as provided for in this Article, the Builder shall have no responsibility whatsoever for Defects or the consequences thereof (including, without limitation, any direct or indirect loss of any type) that are discovered or occur after the Delivery and Acceptance of the Vessel.

**2. Guarantee**

The Builder undertakes to repair and rectify or replace at its own cost and expense and free of charge to the Buyer, any Defects (but excluding any Buyer's Supplies and/or defects or deficiencies caused thereby) discovered during the Guarantee Period, but excluding defects arising after Delivery and Acceptance due to normal wear and tear or improper handling of the Vessel or caused by improper use or maintenance of the Vessel on part of the Buyer, its servants or agents or by any other external effect after the Delivery and Acceptance.

The Builder's liability as stated herein shall terminate in full if any Defects as aforesaid have not been discovered within the Guarantee Period (of twelve (12) months or such other period as the Builder and the Buyer may agree in writing) unless otherwise provided for in the Contract or otherwise agreed to in writing by Builder and Buyer and provided that any such Defects shall be notified in writing to the Builder as soon as practicably possible but in any event no later than twenty-one (21) days after Buyer's discovery. Any notice hereunder must in any event be received by the Builder at the latest within twenty-one (21) days after expiry of the Guarantee Period, and shall include particulars of the deficiency in such detail as can reasonably be expected and the extent of the damage caused thereby (if any).

Notwithstanding the foregoing, the deadline for giving notice of a Defect shall not apply to any Defects that could only be discovered on dry docking the Vessel, in such case notice of such Defect(s) need not be tendered before the Vessel is in the dock, but must be tendered before the Vessel leaves the dry-dock.

The Guarantee Period will be extended in the following case:

From the completion of performance of any repair or replacement under this Article X, there will, except as provided below in this paragraph, be a further period of guarantee of twelve (12) months for the repaired items, but subject to an overall time-limit of twenty-four (24) months counted from the Delivery Date. Such further period of guarantee shall, however, not reduce the Guarantee Period below the original Guarantee Period for any such repaired or replaced item. Any additional guarantee period will be granted on the remedial works undertaken by the Builder or its Subcontractors in the Guarantee Period. The Buyer shall, however, not be entitled to any additional guarantee for defective repair work or defective replacement parts deficiencies not performed or provided by the Builder or its Subcontractors.

Notwithstanding anything here to the contrary, but subject always to the Builder's written consent, which shall not be unreasonably withheld, the Buyer may defer any repair or replacement of a Defect discovered during the Guarantee Period (provided timely notice thereof was given to Builder as required herein) that would otherwise require an interruption to the Vessel's operations to the next schedule drydock period for the Vessel.

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### 3. Rectification of Defects

If the Builder is liable for Defects as aforesaid, its obligations shall be as follows:

- (a) The Builder shall make any necessary repairs or replacements to rectify the Defect, or cause the Defect to be rectified at its own cost, and, to the extent not covered by Buyer's insurance, provided always that the Buyer is in full compliance with all covenants and warranties in such insurance policy when the Defect occurs, any damage to the Vessel's part(s) that has been damaged as a direct and immediate consequence of such Defect without any intermediate cause, ; provided, however, that the amount of any damage to the Vessel subject to a deductible under the applicable Buyer insurance policy shall not be regarded as "covered" for purposes of this provision. The Builder shall in any event not be liable for any consequential damage as stated herein over and above [\*]. The Builder shall have no other liability whatsoever for any damage or loss caused as a consequence of the Defect.
- (b) The repairs, replacements and/or rectifications shall be made at the Builder's yard.

However, if it is impractical to bring the Vessel to the Builder's yard or if the Builder cannot supply the necessary replacement parts, material or labor without undue delay to the Vessel, the Buyer may, after having notified the Builder in writing, cause the necessary repairs, replacements and/or rectifications to be carried out elsewhere. In such case, the Builder shall at its own cost be entitled to forward necessary replacement parts or materials.

The Builder's liability shall in such case be limited to pay the cost of repairs and replacements including travelling and forwarding expenses (unless such costs and/or expenses have been paid by Subcontractors), but always limited to the price of the work which the Builder would normally charge at its yard as documented by Builder's books and records. Upon such payment, the Builder shall immediately be discharged from any further guarantee obligation in respect of – and to the extent of – any such repairs or replacements performed by any other yard or supplier; provided that in the event operational necessities or a lack of required parts or labor are such that the repair or replacement is of a temporary or partial nature, the Builder shall have no responsibility for the quality of the parts or workmanship provided by such other yard or supplier but shall retain responsibility to provide for the full repair, replacement or other rectification of the subject Defect (and subject to clause 3(a) above, any attendant consequential damage).

In any case, the Builder shall co-operate with the Buyer to find proper solutions to rectify any Defect subject to Builder's guarantee obligations under this Article X.

- (c) The Vessel shall in any case be taken at the Buyer's cost and expense to the place elected for guarantee work, ready for the necessary repairs, replacements and/or rectifications.
- (d) The Builder shall have the ownership to all replaced parts. The Buyer shall return any such parts to the Builder at Builder's request and at Builder's expense.

#### **4. Subcontractors' Guarantees**

The Builder shall - upon the Buyer's request - assign to the Buyer any rights the Builder may have against any Subcontractors, including any right to pursue any claim under the relevant subcontract. In the event of any such assignment, any liability the Builder had to the Buyer in respect of the work, equipment or other subject matter of the relevant subcontract shall be released to the extent of any recovery actually received by Buyer from such Subcontractor.

The Builder shall endeavour to have provisions in the subcontracts whereby the Buyer may claim against the Subcontractor directly.

#### **5. Extent of Builder's Responsibility, Assignment**

- (a) Upon Delivery and Acceptance of the Vessel to the Buyer in accordance with the terms of the Contract, the Builder shall thereby and thereupon be released of all responsibility and liability whatsoever and howsoever arising under or by virtue of this Contract (save in respect of those obligations to the Buyer expressly provided for in this Article X and in Article VII(4)(d)), VIII(3), XIV, and XV) including without limitation, any responsibility or liability for defective workmanship, materials or equipment, design or in respect of any other defects whatsoever and any loss or damage resulting from any act, omission or default of the Builder, or for any losses, damages or expenses whether of a direct or indirect nature arising from any cause whatsoever including, without limitation, any direct or indirect loss of time, loss of use, loss of profit or earnings or demurrage, or any additional costs or expenses incurred by the Buyer.
- (b) The guarantee provided in this Article and the obligations and the liabilities of the Builder hereunder are exclusive and in lieu of and the Buyer hereby waives all other remedies, warranties, guarantees or liabilities, express or implied, arising by Law or otherwise (including without limitation any obligations of the Builder with respect to fitness, merchantability and damages) or whether or not occasioned by the Builder's negligence. This guarantee shall not be extended, altered or varied except as expressly provided in this Article X or by a written instrument signed by the duly authorized representatives of the Builder and the Buyer.
- (c) If the Buyer sells the Vessel during the Guarantee Period and wishes to assign its rights hereunder, such assignment shall be subject to the Builder's consent, which shall not be unreasonably withheld or delayed.

## **6. Exclusion of Liability**

- (a) The Builder shall in no event be liable for nor required to indemnify the Buyer for any claim for damages from any third party in respect of any loss of enjoyment, loss of or damage to property or personal injury or loss of life said to arise as a result of the breach by the Builder of any provision of this Contract, any defect or deficiency in the Vessel or any alleged failure by the Builder to comply with any product liability or other sales of goods legislation in any jurisdiction. The Buyer hereby agrees to indemnify the Builder in the event that any employee, servant or agent of the Buyer or any passenger, officer, crew member or any other person on board the Vessel successfully brings any claim against the Builder and the Buyer's indemnity shall include, without limitation, repayment of all legal expenses incurred by the Builder in defending such a claim.
- (b) Furthermore, the Builder shall have no liability for, nor be required to compensate the Buyer, for any compensation (whether legally payable or paid ex-gratia) paid to any passenger as a result of any loss of enjoyment, loss of or damage to property, loss of life or personal injury said to arise as a result of the alleged breach by the Builder of its obligations under this Contract or as a result of any alleged defect or deficiency in the Vessel.
- (c) The Buyer shall in no event be liable for nor required to indemnify the Builder for any claim for damages from any employee, servant or agent of the Builder in respect of any loss of or damage to property or personal injury or loss of life said to arise as a result of the breach by the Buyer of any provision of this Contract. The Builder hereby agrees to indemnify the Buyer in the event that any employee, servant or agent of the Builder successfully brings any claim against the Buyer and the Builder's indemnity shall include, without limitation, repayment of all legal expenses incurred by the Buyer in defending such a claim.
- (d) The provisions of this clause 6 are subject to the exception for certain claims under Article X, clause 7.

## **7. The Guarantee Engineer**

- (a) Subject to six (6) months prior written notice by the requesting party, the Builder shall have the right, but if requested by the Buyer shall have the obligation, to appoint a Guarantee Engineer to serve on-board the Vessel for the Guarantee Period. The Buyer and its employees shall provide the Guarantee Engineer with full co-operation in carrying out his duties, which shall be to assist Buyer and its crew to obtain the most efficient use of the Vessel and to identify and assist in planning and preparation for the rectification of Defects (or in rectifying such minor Defects as may be practicable). The Buyer shall accord the Guarantee Engineer board and treatment comparable to the Vessel's Chief Engineer and reasonable accommodation based on availability of crew cabins, at no cost to the Builder. The Builder shall cover the salary and direct expenses of the Guarantee Engineer for the first six (6) months of the Guarantee Period, including the expenses of repatriation by air to the Guarantee Engineer's home country. Thereafter, to the extent he is still serving aboard,, the Buyer shall pay to the Builder the same wages as an European Chief Engineer as compensation for part of the cost and charges to be borne by the Builder in connection with the Guarantee Engineer.
- (b) The Guarantee Engineer shall, at all times and in all respects, be deemed to be the employee of the Builder. The Buyer shall be under no liability whatsoever to the Builder or to the Guarantee Engineer for personal injuries, including death, suffered by the Guarantee Engineer during the time when he or she is on board the Vessel, unless such personal injuries, including death, were caused by Gross Negligence of the Buyer, or of any of its employees or agents. Nor shall the Buyer be under any liability whatsoever to the Guarantee Engineer for damage to or loss or destruction of property of the Guarantee Engineer, unless such damage, loss or destruction is caused by Gross Negligence of the Buyer, or of any of its employees or agents. The Guarantee Engineer shall if requested sign a Letter of Indemnity required by the Buyer.
- (c) The Builder shall be under no liability whatsoever to the Buyer, or any of its employees or agents for personal injuries, including death or for damage to or loss or destruction of property of the Buyer, or of any of its employees or agents, caused by the Guarantee Engineer during the time when he or she is on board the Vessel unless such damage loss or destruction is caused by the Gross Negligence of the Guarantee Engineer. The presence on board of the Guarantee Engineer(s) shall in no way affect the rights and obligations of Builder and Buyer respectively as provided for in this Contract.

**1. Registration**

The Builder may mortgage the Vessel and its materials (excluding Buyer's Supplies if possible) as security for the construction financing, including the provision of refund guarantee(s), for the Vessel and the Buyer shall if necessary give its consent for that purpose. Any such mortgage shall be cancelled and deleted from the relevant registry at the latest on Delivery and Acceptance.

Any materials, parts, machinery or equipment purchased by the Builder and appropriated for the Vessel which are not utilised for the Vessel shall remain the property of the Builder after Delivery and Acceptance of the Vessel, unless identifiable as an item paid for by Buyer and claimed by it for use aboard the Vessel.

The Buyer may register the Buyer's rights under the Contract and the Vessel under construction in accordance with the rules of the Norwegian Maritime Act with the Builder as title holder.

**2. Risk and Insurance**

- (a) Until Delivery and Acceptance, the Builder bears the risk of loss of or damage to the Vessel, materials, parts, machinery, boilers and equipment, excluding the Buyer's Supplies.
- (b) The Builder will arrange and pay for customary builders' risk insurance for the Vessel by insurers reasonably acceptable to Buyer, and keep same in force throughout the construction process until Delivery and Acceptance. The insurance shall include necessary fire and transport insurance of materials and equipment which the Builder procures from Subcontractors. If requested by Buyer, the Builder shall arrange the coverage to include Buyer's Supplies, with the increase in insurance of Buyer's Supplies to be paid by the Buyer .

The insured amount shall as a minimum cover the aggregate of the instalments paid by the Buyer pursuant to Article III from time to time together with interest thereon and, where the Builder is requested by the Buyer to so insure, for the value of any Buyer's Supplies.

By paying extra insurance premiums the Buyer may require that the building insurance is increased to cover the rebuilding value at any time.

The Builder shall cause copies of the policy main terms to be provided to Buyer.

- (c)
  - (i) The insurance policies shall be taken out in the name of the Builder and Buyer as their interests may appear, and shall include, but not be limited to the hull, equipment, machinery or services provided by any tiers of Subcontractors at the premises of the Builder during the construction period of the Vessel.
  - (ii) The Builder may collect directly from the insurance company all sums in respect of its own losses.

- (iii) In the event of partial damage which is to be repaired and which is recoverable under the insurance policies, and provided that such damage shall not constitute a total loss of the Vessel, the Builder shall apply the proceeds recovered under the insurance policies to the repair of such damage satisfactory to the Class and Regulatory Bodies, and (subject to satisfaction of all requirements) the Buyer shall accept the Vessel under the Contract if completed and delivery duly tendered thereafter in compliance with the Contract.
- (iv) If prior to its delivery the Vessel sustains such heavy damage that the Builder has no obligation to rebuild the Vessel, or if the parties and/or the insurance company agree that the damage to the Vessel constitutes a total / constructive / compromised total loss, then the Builder shall by mutual agreement between the parties hereto either:
  - (a) Proceed in accordance with the terms of the Contract, in which case the amount recovered under the insurance policies shall be applied to the reconstruction of the Vessel, provided that the Buyer and the Builder shall first agree in writing to such reasonable postponement of the Delivery Date and adjustment of other terms of the Contract as may be necessary for such reconstruction, or
  - (b) Refund immediately to the Buyer the amount of all instalments paid to the Builder under this Contract, and the cost of any Buyer's Supplies insofar these are insured by the coverage procured by the Builder and destroyed, and return any other Buyer's Supplies in "as is" condition whereupon this Contract shall be deemed to be cancelled and all rights and obligations of the parties hereunder shall terminate forthwith.

If the parties are unable to agree within thirty (30) days as to option (a) or (b) above, then option (b) shall apply.
- (v) Subject to the foregoing, the Builder shall for its own account insure the Vessel on terms that are normally used for insuring vessels under construction at Norwegian yards with coverage to be maintained until Delivery and Acceptance of the Vessel.
- (vi) War risk insurance for the Vessel with accessories shall be taken out only at the request of the Buyer and for its account.

### **3. Waiver of subrogation**

The Buyer shall ensure that any insurances procured by or on behalf of the Buyer for the Vessel for coverage from and after Delivery and Acceptance, shall include a waiver of subrogation against the Builder and the Builder's Subcontractors, and the Buyer shall document the same latest upon Delivery and Acceptance of the Vessel.

[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

## ARTICLE XII                    DEFAULT PROVISIONS

### 1.            **Builder's Default - Cancellation by Buyer**

If (i) the Builder is declared bankrupt, commences or becomes subject to proceedings for dissolution, insolvency, receivership or similar relief, or (ii) the Refund Guarantee is rescinded, disavowed or is to expire within [\*] and has not been replaced or extended in a manner reasonably satisfactory to Buyer, or if the issuer thereof is declared bankrupt, or becomes subject to proceedings for dissolution, insolvency, receivership, or similar relief and alternative security of a similar tenor by a first class international commercial bank reasonably acceptable to Buyer has not provided in substitution therefor, or (iii) Builder fails to perform any work relating to the design and/or construction of the Vessel (as applicable) for a running period of [\*] (excluding any Permissible Delay), then the Buyer may cancel the Contract and without prejudice to its rights under the Refund Guarantee, claim compensation for its losses.

In the event that the Buyer shall exercise its right of cancelling the Contract under and pursuant to any of the provisions of the Contract specifically permitting the Buyer to do so, then the Buyer shall notify the Builder in writing (or by e-mail confirmed by registered mail), and such cancellation shall be effective as of the date notice thereof is received by the Builder.

Upon such cancellation the Builder shall promptly but in any event within ten (10) Working Days either accept the notice of cancellation, or declare its intention to dispute the same under the provisions of Article XIX hereof.

If cancellation is accepted by the Builder, the Builder shall refund all sums paid by Buyer to the Builder under Article III hereof, including interest thereon at the rate of interest set out in Article III from the date of payment to the date of refund. The Builder shall make available to the Buyer the Buyer's Supplies, or if they cannot be made available, the Builder shall pay to the Buyer an amount equal to the value thereof. Upon acceptance by the Builder of the notice of cancellation and refund (and tender of or payment for Buyer's Supplies, if applicable) as aforesaid, the Builder shall have no liability whatsoever or howsoever arising, whether under law, statute or contract, for any other loss suffered by the Buyer.

If the Builder disputes the Buyer's entitlement to cancel the Contract and commences arbitration in accordance with Article XIX hereof the Builder shall have no obligation to refund any amount until a final and unappealable arbitration award (or in the event of an appeal or challenge, a final and unappealable court order) is obtained in favour of the Buyer, expressly stating the amount to be refunded to the Buyer by the Builder.

### 2.            **Buyer's Default - Disputes regarding Payment**

(a)        If the Buyer fails to duly make the payments provided for in Article III, clause 3, the Builder shall by written notice to the Buyer, request payment of the unpaid amount. If the amount has not been paid within ten (10) Banking Days from receipt of such notice, the Builder may postpone the commencement of, or stop the work on the Vessel and enforce payment of its claim. Any time lost as a result of the Builder postponing the commencement of, or stopping the work on the Vessel in accordance with this provision shall be deemed to amount to Permissible Delay.

(b)        If twenty (20) days have elapsed from the receipt of the above notice without the Buyer having paid or provided security acceptable to the Builder, the Builder may cancel the Contract.

In either case the Builder may claim compensation for losses caused thereby.

Notwithstanding the above, if there is a dispute in respect of the Buyer's payment obligation, the Builder has no right to postpone the commencement or stop the work or cancel the Contract, if the Buyer provides security acceptable to the Builder for the disputed unpaid amount.

If the Buyer is declared bankrupt, the Builder may cancel the Contract and claim compensation for its losses.

**ARTICLE XIII            ASSIGNMENT**

Neither of the parties hereto shall assign the Contract to a third party unless (a) prior consent of the other party is given in writing, such consent not to be unreasonably withheld, or (b) in the case of Buyer, the assignment is (i) to an affiliate of Buyer and notice of the assignment is promptly given to Builder, or (ii) to a financial institution providing financing to or guarantee on behalf of Buyer in connection with this Contract; and subject always to the continuity of the security provided by Buyer pursuant to Article III, clause 6(a) or the provision of substitute security satisfactory to the Builder.

The Contract shall endure to the benefit of and shall be binding upon the lawful successors or the legitimate assigns of either of the parties hereto.



**ARTICLE XIV TAXES AND DUTIES**

**1. Taxes and Duties in the country of the Builder**

The Builder shall bear and pay all taxes and duties imposed in Norway and in the country of the Builder's Subcontractors in connection with the execution and/or performance of the Contract, excluding any taxes and duties imposed in the country of the Builder upon the Buyer's Supplies which shall be for the Buyer's cost and expense.

**2. Taxes and Duties outside the country of the Builder**

The Buyer shall bear and pay all taxes and duties imposed outside the country of the Builder in connection with the execution and/or performance of the Contract, except for taxes and duties imposed upon those items to be procured by the Builder for construction of the Vessel or attributable to a Subcontractor.

**ARTICLE XV**

**PATENTS, TRADEMARKS, COPYRIGHTS**

- (a) Where they are owned and supplied by a party hereto, that party shall retain all Intellectual Property Rights with respect to the Specification, plans and Drawings, technical descriptions, calculations, test results and other data, and information and documents concerning the design and construction of the Vessel. The other party undertakes not to disclose the same or divulge any information contained therein to any third parties without the prior written consent of the first party, except where it is necessary for usual operation, repair and maintenance of the Vessel and to subsequent owners and prospective purchasers and charterers.
- (b) Each party shall ensure that any manufacture and/or supply according to specifications, drawings, models or other instructions supplied by it in connection with the construction of the Vessel shall not infringe any Intellectual Property Rights of third parties. Should claims nevertheless be made against the non-supplying party in respect of Intellectual Property Rights arising out of or in any way related to the performance of the Contract (including in respect of Builder's design for the Vessel), the supplying party shall keep the other party indemnified against such claims, including any legal costs in connection therewith.
- (c) For the purpose of this sub-clause (c), "Information" means technical information relating to the Vessel designated by one party as confidential and supplied or disclosed by that party to the other, except information which corresponds in substance to information which:
  - (i) Was developed by and in possession of the other party prior to first receipt from the first party; and/or
  - (ii) At the date of hereof or hereafter, through no wrongful act or failure to act on the part of the other party, enters the public domain or is received by the other party from a third party without any obligation of confidentiality.

Where it is necessary during the performance of this Contract for one party to make Information available to the other party, the other party shall hold all such Information in confidence and not disclose it to any third parties (except that disclosure to its officers, directors, employees, agents and consultants involved in the construction of the Vessel or in its subsequent maintenance, repair or operation or use if for any purpose other than in connection with the construction of the Vessel and for its subsequent maintenance, repair and operation as provided herein without the prior written consent of the first party, which shall not be unreasonably withheld.

- (D) Nothing contained in this Contract shall be construed as an assignment or transferring any intellectual property of any kind from one party to the other, and all such rights including the design of the Vessel are hereby expressly reserved to the true and lawful owner(s) thereof; provided that nothing in this paragraph (d) shall limit or restrict any sale or transfer of interests in or to the Vessel or of the rights of any transferee to use and employment of the Vessel.

**1. Responsibility of Buyer**

- (a) The Buyer shall, at its own risk, cost and expense, supply and deliver to the Builder all of the items to be furnished by the Buyer, as specified in the Specifications Chapter M and as defined in Article I, at the warehouse or other storage facility of the Builder in a proper condition ready for installation in or on the Vessel, in accordance with a time schedule to be provided within sixty (60) days after Date of Contract by the Buyer and approved by the Builder.
- (b) In order for the Builder to install the Buyer's Supplies in or on the Vessel (if so agreed in writing between the Parties), the Buyer shall furnish the Builder with necessary specifications, plans, drawings, instruction books, manuals, test reports and certificates required by all applicable rules and regulations. If so reasonably requested by the Builder, the Buyer shall without any charge to the Builder cause the representatives of the manufacturers of the Buyer's Supplies to assist the Builder in installation thereof in or on the Vessel and/or to carry out installation thereof by themselves or to make necessary adjustments at the Builder's yard, in each case provided such service is customarily rendered by such representatives.
- (c) Any and all of the Buyer's Supplies shall be subject to the Builder's reasonable right of rejection, when and if they are found to be unsuitable or in improper condition for installation.
- (d) Should the Buyer fail to deliver any of the Buyer's Supplies within the time designated in the approved schedule, any time actually lost shall be Permissible Delay; provided that Buyer may by notice to Builder instruct that construction proceed without installation of such late item(s).
- (e) If delay in delivery of any of the Buyer's Supplies exceeds ten (10) days, then the Builder shall be entitled to proceed with construction of the Vessel without installation thereof in or on the Vessel as hereinabove provided. In such event, or in the event of Buyer instructions pursuant to clause (d), and the Buyer shall accept and take delivery of the Vessel so constructed with any unincorporated Buyer's Supplies that were not installed by reason of the provisions of clause (d) or this clause (e) delivered as loose items or, if undelivered, separately after the Delivery Date.
- (f) The Builder shall permit the Buyer's personnel and/or Buyer's subcontractors access to the relevant part of the Vessel for the purpose of installing and commissioning of the Buyer's Supplies in accordance with the schedule set out in (a). Any installation and commissioning of the Buyer's Supplies which has an impact on the Delivery Date shall be deemed Permissible Delay.

**2. Responsibility of Builder**

The Builder shall be responsible for storing and handling with due diligence the Buyer's Supplies after delivery thereof at the Builder's yard. The Builder shall not in any way be responsible for the quality, efficiency and/or performance and/or commissioning and testing of any of the Buyer's Supplies. In addition, and unless the Builder confirmed in writing the inter-face design prior to the Buyer's ordering of the relevant Buyer's Supplies, the Builder shall bear no responsibility or liability for the inter-face design or any part hereof. Title to Buyer's Supplies shall at all times remain with Buyer.

**3. Installation of Buyer's Supplies**

If installation of Buyer's Supplies is not clearly described as included in the Specifications, any installation by the Builder of Buyer's Supplies in or on the Vessel shall be subject to a written Change Order as set out in Article VI.

The provisions of this Article XVI shall also apply in full for Buyer's Supplies included in subsequent Change Orders.

**ARTICLE XVII           NOTICES**

**1.       Address**

Any and all notices and communications in connection with the Contract shall be in writing; addressed to the applicable Party at the address set forth in the Preamble and given by hand delivery, express service or by email (with any notice by email to be confirmed by a copy by hand or express) as follows:

*To the Buyer in duplicate to the attention of:*

Name:           S.V.P.

E-mail:

and

Name:           CFO

E-mail:

*To the Builder:*

Name:           Managing Director

E-mail:

**2.       Language**

Any and all written notices and communications in connection with the Contract shall be in the English language.

**ARTICLE XVIII ENTIRE CONTRACT & INTERPRETATION**

**1. Entire Contract**

The Contract constitutes the entire agreement between the parties hereto and no promise, undertaking, representation, warranty or statement by either party prior to the date of this Contract shall affect this Contract. Any modification of this Contract shall not be of any effect unless in writing signed by or on behalf of the parties.

**2. Interpretation**

If any provision or part-provision of this Contract is or becomes invalid, illegal or unenforceable, it shall be deemed modified to the minimum extent necessary to make it valid, legal and enforceable. If such modification is not possible, the relevant provision or part-provision shall be deemed deleted. Any modification to or deletion of a provision or part-provision under this clause shall not affect the validity and enforceability of the rest of this Contract. If one party gives notice to the other of the possibility that any provision or part-provision of this Contract is invalid, illegal or unenforceable, the parties shall negotiate in good faith to amend such provision so that, as amended, it is legal, valid and enforceable, and, to the greatest extent possible, achieves the intended commercial result of the original provision. Any such amended provision shall be deemed to have had effect since this Contract became effective.

The index and headings (of all levels and types) appearing in this Contract are included for convenience only shall not affect the interpretation of this Contract.

## **ARTICLE XIX GOVERNING LAW, DISPUTE AND ARBITRATION**

### **1. Governing Law**

The parties hereto agree that the validity and interpretation of the Contract and of each Article and part thereof and any non-contractual obligations arising under or in relation hereto, shall be governed by and interpreted in accordance with English law.

### **2. Arbitration**

In the event of any dispute between the parties hereto arising out of or relating to this Contract or any stipulation herein or with respect thereto which cannot be settled by the parties themselves, such dispute shall be resolved by arbitration in London, England in accordance with the Rules of the London Maritime Arbitrators Association ("LMAA") and the following provisions:

- (a) Either party may demand arbitration of any such disputes by giving written notice to the other party. Any demand for arbitration by either party hereto shall state the name of the arbitrator appointed by such party and shall also reasonably identify the dispute. Within fourteen (14) days after receipt of notice of such demand for arbitration, the other party shall in turn appoint a second arbitrator. The two arbitrators thus appointed shall thereupon select a third arbitrator, and the three arbitrators so named shall constitute the tribunal of arbitration (hereinafter called the "Arbitration Tribunal") for the settlement of such dispute.
- (b) In the event however, that said other party should fail to appoint a second arbitrator as aforesaid within fourteen (14) days following receipt of notice of demand of arbitration, it is agreed that such party shall thereby be deemed to have accepted and appointed as its own arbitrator the one already appointed by the party demanding arbitration, and the arbitration shall proceed forthwith before this sole arbitrator, who alone, in such event, shall constitute the Arbitration Tribunal. And in the further event that the two arbitrators appointed respectively by the parties hereto as aforesaid should be unable to reach agreement on the appointment of the third arbitrator within fourteen (14) days from the date on which the second arbitrator is appointed, either party or the said two arbitrators may apply to the President of the LMAA to appoint a third arbitrator. The award of the arbitration made by the sole arbitrator or by the majority of the three arbitrators as the case may be, unless appealed by either party, shall be final, conclusive and binding upon the parties hereto.
- (c) All arbitrations shall be conducted in the English language.
- (d) The arbitrator(s) shall determine which party shall bear the expenses of the arbitration or the proportion of such expenses which each party shall bear.
- (e) Judgment on any award may be entered in any court of competent jurisdiction.

### **3. Technical Matters**

Notwithstanding clause 2, in the event of any dispute regarding the interpretation of a Specification, or the determination as to whether any work performed or material provided for the construction of the Vessel conforms to the Specifications, Drawings, or other approved plans or modifications, either party may by notice to the other cause the matter to be referred to DNV•GL, who is hereby appointed as technical mediator and whose decision as to the matters referred to him shall not be binding on the parties but shall be admissible in any subsequent proceeding. The costs of the technical mediator shall be borne by the parties in shares proportionate to the outcome of the dispute, and in the event of the failure of a party to pay its share within thirty (30) days of invoice the other party may advance the amount thereof to the technical mediator and in such event shall be entitled to recover in any subsequent proceedings as liquidated damages an amount equal to double the amount so advanced.



**ARTICLE XXI            ADDITIONAL TERMS**

**1.            Material and Equipment**

All material and equipment provided for construction of the Vessel shall be new, identified by country of origin, not purchased, obtained or used in violation of any EU or U.S. law or sanctions program then in effect, not contraband, counterfeit or embargoed.

**2.            Environmental Considerations**

Builder shall give due consideration when selecting materials for use in constructing the Vessel to its eventual disposition and to the extent practicable to the use of materials better adopted to recycling while minimizing the use of hazardous materials.

**3.            Effectiveness**

This Contract is subject to the following conditions both of which must be satisfied latest within 3<sup>rd</sup> November 2017, failing which this Contract shall become null and void:

- (i)        A copy of the board resolution of the Board of Directors of the Buyer approving the entering into of this Contract by the Buyer; and
- (ii)      A copy of the board resolution of the Board of Directors of the Builder approving the entering into of this Contract by the Builder.

**4.            Execution**

The Contract, including the Conditions of Contract with its Appendices and Exhibits, has been drawn up in two identical originals, one for each party.

New York, 1<sup>st</sup> November 2017

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Name: Kristian Sætre  
For and on behalf of  
Ulstein Verft AS

---

Name: Sven Olof Lindblad  
For and on behalf of  
Lindblad Maritime Enterprises, Ltd

<b>Appendix I</b>	Buyer's Form of Corporate Guarantee
<b>Appendix II</b>	Builder's Form of Refund Guarantee
<b>Appendix III</b>	Building Specifications
<b>Appendix IV</b>	Architect Schedule
<b>Appendix V</b>	Lump sums
<b>Appendix VI</b>	Option Agreement
<b>Appendix VII</b>	Fuel Consumption Guarantee
<b>Appendix VIII</b>	Exchange Rate Agreement
<b>Appendix IX</b>	Fuel Oil Consumption Estimate



**Appendix I Buyer's Form of Corporate Guarantee**

[company letterhead]

**PARENT COMPANY GUARANTEE**

Ulstein Verft AS  
Osnesvegen  
N•6065 ULSTEINVIK  
NORWAY

[place, date] 2017

Dear Sirs,

**GUARANTEE**

We refer to the shipbuilding contract, as amended and supplemented from time to time, which was entered into on [date] 2017 between [●], as Buyer (the "Company"), and Ulstein Verft AS, as Builder (the "Beneficiary"), for the design, construction, equipment and completion of a [exploration cruise vessels] of ULSTEIN® [●] design bearing the Beneficiary's hull no. [●] (the "Contract").

We, (name of Guarantor] (the "Guarantor"), hereby irrevocably and unconditionally guarantee, by way of a separate and independent obligation to the Beneficiary, its successors and assigns:

1. that the Company shall fulfil its obligations under the Contract, including but not limited to the punctual performance by the Company of each and all of the duties, obligations, covenants, warranties and undertakings (whether express or implied) under and/or in connection with the Contract when they, or any part of them, become due and performable according to the terms of the Contract (the "Guarantee").
2. If the Company shall fail to pay on its due date any part of the contract price or otherwise fail to fulfil its obligations under the Contract after having been notified of such default by the Beneficiary, we undertake, immediately on demand by the Beneficiary, to pay such part of the contract price or such other amount as may be due by the Company as Buyer under the Contract.
3. Our Guarantee and undertaking hereunder shall be unconditional and irrevocable, and without prejudice to the generality of the foregoing this Guarantee shall not in any event be released, discharged, impaired, reduced, limited, terminated or otherwise affected by:
  - (a) Any waiver or forbearance by the Beneficiary of or in respect of any of the Company's obligations under the Contract, or by any failure by the Beneficiary to enforce the Contract or this instrument, or
  - (b) Any alteration to, addition to or deletion from the Contract or the scope of the work to be performed under the Contract provided the Company has agreed to such alteration, addition or deletion in writing, or
  - (c) The Insolvency, liquidation, moratorium of payments or bankruptcy of the Company, the termination of the Contract by an administrator liquidator (curator) or similar officer of the Company in accordance with applicable law; or
  - (d) Any merger, demerger or other change in the constitution of the Company and/or any sale transfer, assignment or other disposal of shares in the capital of the Company or otherwise any change in the shareholding relationship between ourselves and the Company.
4. This Guarantee constitutes continuing obligations on us as Guarantor, and may not be revoked, cancelled or otherwise terminated by us and our Guarantee and undertakings hereunder shall continue in full force and effect until the total contract price under the Contract has been duly paid and all other obligations under the Contract are duly fulfilled by the Company, at which time this Guarantee shall expire and be returned to us, and our liability hereunder shall be discharged absolutely
5. Our liability under this Guarantee shall not in any event or under any circumstance exceed the obligations of the Company under, or in connection with the Contract and we as Guarantor shall be entitled to the same defences and limitations as may apply to the Company under, or in connection with the Contract.

6. The Beneficiary shall have the right to assign this Guarantee to its financiers, but otherwise neither the Beneficiary nor the Guarantor may sell, assign or transfer this Guarantee or any of its rights and/or obligations hereunder.
7. We hereby represent and warrant to the Beneficiary that:
  - (a) We are duly incorporated and validly existing under the laws of our incorporation; and
  - (b) We have the full corporate power and authority to enter into this Guarantee and to execute, deliver and perform our obligations under this Guarantee; and
  - (c) this Guarantee constitutes legal, valid and binding contractual obligations on us as Guarantor; and
  - (d) this Guarantee does not conflict with any laws, regulations or rules applicable to us.
8. It is expressly understood that if any provision of this Guarantee is illegal, invalid or unenforceable in whole or in part, it shall not affect or impair the legality, validity or enforceability of any other provisions of this Guarantee nor shall it affect or impair the legality, validity or enforceability of such provision or any other provisions of this Guarantee and the parties shall be obliged to replace the (partial) illegal, invalid or unenforceable provision by another valid and enforceable provision, such that the meaning of that provision complies as much as possible with the (partially) invalid or unenforceable provision, taking into account the object and the purpose of this Guarantee.
9. This Guarantee shall be governed and construed in accordance with English law.

In the event of any dispute between the parties hereto arising out of or relating to this Contract or any stipulation herein or with respect thereto which cannot be settled by the parties themselves, such dispute shall be resolved by arbitration in London, England in accordance with the Rules of the London Maritime Arbitrators Association ("LMAA") and the following provisions

Either party may demand arbitration of any such disputes by giving written notice to the other party. Any demand for arbitration by either party hereto shall state the name of the arbitrator appointed by such party and shall also reasonably identify the dispute. Within fourteen (14) days after receipt of notice of such demand for arbitration, the other party shall in turn appoint a second arbitrator. The two arbitrators thus appointed shall thereupon select a third arbitrator, and the three arbitrators so named shall constitute the tribunal of arbitration (hereinafter called the "Arbitration Tribunal") for the settlement of such dispute.

In the event however, that said other party should fail to appoint a second arbitrator as aforesaid within fourteen (14) days following receipt of notice of demand of arbitration, it is agreed that such party shall thereby be deemed to have accepted and appointed as its own arbitrator the one already appointed by the party demanding arbitration, and the arbitration shall proceed forthwith before this sole arbitrator, who alone, in such event, shall constitute the Arbitration Tribunal. And in the further event that the two arbitrators appointed respectively by the parties hereto as aforesaid should be unable to reach agreement on the appointment of the third arbitrator within fourteen (14) days from the date on which the second arbitrator is appointed, either party or the said two arbitrators may apply to the President of the LMAA to appoint a third arbitrator. The award of the arbitration made by the sole arbitrator or by the majority of the three arbitrators as the case may be, unless appealed by either party, shall be final, conclusive and binding upon the parties hereto.

All arbitrations shall be conducted in the English language. The arbitrator(s) shall determine which party shall bear the expenses of the arbitration or the proportion of such expenses which each party shall bear. Judgment on any award may be entered in any court of competent jurisdiction.

Yours faithfully,

FOR AND ON BEHALF OF:  
[Guarantor]

---

Duly Authorized Signatory  
Name:  
Title:  
Date

## Appendix II Builder's Form of Refund Guarantee

### **Form of Advance Payment Guarantee under URDG 758**

**To:** [●]

**Type of Guarantee:** Advance Payment guarantee

**Guarantee No:** j●]

**The Guarantor:**

**The Applicant:** Ulstein Verft AS, Osneset, N-6065 Ulsteinvik, Norway

**The Beneficiary:** [●]

**The Underlying Relationship:** The Applicant's obligation in respect of Shipbuilding Contract between the Applicant and the Beneficiary, dated Es) 2017.

**Guarantee Amount and currency:** NOK [●]

**Any documents required in support of the demand for payment, apart from the supporting statement that is explicitly required in the text below:**

A claim shall be presented through an intermediary bank confirming that the original claim has been sent us by courier or registered mail and that the signature(s) are authorized signature(s) of the Beneficiary. Such confirmation shall be sent by authorized SWIFT to . Any claim hereunder must be accompanied by one of the following: 1) in the event that the Guarantor has been notified in writing by the Applicant that it disputes the Beneficiary's right to make demand hereunder, a certified copy of a final arbitration award granting the Beneficiary the right to cancel the Shipbuilding Contract and to receive payment of the disputed claim; or 2) in the case of a demand admitted by the Applicant, the signed written confirmation of the Applicant to the Guarantor, dated no more than 30 days prior to the date of receipt at this office, that the amount of the claim is properly payable; or 3) in the event of neither 1) nor 2) above, the signed written confirmation by Beneficiary that it has duly notified Applicant in writing of Beneficiary's intention to submit the claim being made, accompanied by a certified copy of the written notice sent to Applicant at least fourteen (14) working days prior to the date of such confirmation, together with the official receipt for the posting by certified or registered mail of such notice.

**Language of any required documents:** English

**Form of presentation:** In paper form delivered by courier or registered mail.

**Place of presentation:** By mail:

**Expiry:** *The earlier of the following:*

*Either the date of receipt by the Guarantor of a copy of the protocol of Delivery and Acceptance of the Vessel undersigned by the Beneficiary and the Applicant under the Shipbuilding Contract or [●].*

However, in the event that there exists arbitration between the Beneficiary and the Applicant for any such matter as described in the above and the pendency of such arbitration has been communicated in a written statement to us by either the Beneficiary or the Applicant on or before the expiry date, then the validity of this Guarantee shall be automatically extended until the date falling thirty (30) calendar days after the date of publication the final award in such arbitration proceedings or other conclusion thereof (as the case may be).

As Guarantor, we hereby irrevocably undertake to pay to the order of the Beneficiary any amount up to the Guarantee Amount - plus interests of [●] % per year over the 3 month NOK NIBOR calculated from the date the advance payment has been paid to the Applicant by the Beneficiary until the date of our payment of the demanded amount - upon presentation of the Beneficiary's complying demand, in the form of presentation in writing as set out above, supported by such other documents as may be listed above and in any event by the Beneficiary's statement, whether in the demand itself or in a separate signed document accompanying or identifying the demand, (i) indicating in what respect the Applicant is in breach of its obligations under the Underlying Relationship, and (ii) confirming the amount the Beneficiary is entitled to receive; provided however that in the event of the presentation of a claim accompanied by the documentation listed under alternative 3) above we shall make payment only in the event we have not received a signed written notice by Applicant that it disputes the Beneficiary's right to make demand hereunder before close of business the day following the day of our receipt of Beneficiary's complying demand. When made, payment shall be remitted to such account at the intermediary bank presenting the claim as may be designated by Beneficiary in its complying demand.

A demand under this Guarantee may be presented as from the date of due payment by the Beneficiary of the first instalment under the Shipbuilding Contract being NOK [●] to the Applicant's account no. [●] maintained with the Guarantor, provided such remittance identifies this Guarantee;

Any demand under this Guarantee must be received by us on or before Expiry at the Place for presentation indicated above.

This Guarantee and any non-contractual obligations arising out of or in connection with it are governed by and construed in accordance with the laws of Norway. The courts of Oslo, Norway have exclusive jurisdiction to settle any dispute arising out of or in connection with this Guarantee.

**This Guarantee is subject to the Uniform Rules for Demand Guarantees (URDG) 2010 revision, ICC Publication No. 758.**

**Oslo, \_\_\_\_\_**

**for DNB Bank ASA  
by authority**

**[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.**

**Appendix III Building Specifications**

[\*]

**Appendix IV  
ARCHITECT SCHEDULE**

**1. General**

The supply of the interior design of the Vessel as set out in this Appendix IV is priced as a lump sum in the Contract Price, cf. Article III, clause 1 in the Contract. In the event the actual price of the interior design exceeds the sum set out in Article III, cause 1 of the Contract, the Contract Price shall be adjusted based on the Builders actual cost of the interior design.

**2. Scope of interior design (Architect) services**

The interior designer (the “Architect”) shall develop the interior design of the passenger cabins, the passenger public areas, the crew cabins and the crew areas (the “Guest and Crew Areas”) in a timely manner and in accordance with the Architect Plan set out in item 3 in this Appendix IV .

The interior design for the Vessel shall be provided by the Architect for each Guest and Crew Area in the following way

**2.1 STAGE 1 — Design Development**

**(a) Concept Sketches**

Partial rough sketches and photos will be used to develop the concept and seek direction and final confirmation of concept from the Builder by means of pre- presentations.

The Architect will provide layouts for the area types and cabin types referred to above and the Architect will provide two (2) different types of furniture detailing and three (3) different color schemes. For the public areas the Architect will provide one (1) idea for each area. On this basis the Buyer shall choose a preferred design for the Architect to develop further. The lump sum is calculated on the basis that it may take one round of changes before the final interior design is agreed. Proposals and updates shall be provided in a timely manner in accordance with the Architect Plan.

**(b) Color Renderings**

The Architect will produce color renders of the areas listed above. These renders are meant to be an accurate portrayal of the finished interior design and will be used to illustrate the Architects design intent to the Builder, Buyer and the supplier of the interior solution (the “Interior Supplier). In combination with the other information the Architect will supply (e.g. AutoCAD drawings and schedules), the Builder and Interior Supplier should be able to produce its own workshop drawings on this basis. The Architect will provide 3D color renderings for presentation (the lump sum includes 17 pieces, but excludes 3D view to the ship’s profile and any animation). All renderings will be produced in accordance with the Architects standard.

The Architect will provide 3D color renderings for presentation, produced in accordance with the Architects standard. The renderings can be used by the Builder and the Buyer in relation to all types of marketing, provided that reference is made to the Architect’s copyright.

**2.2 STAGE 2 - AutoCAD drawings**

The Architect shall provide a material schedule with specification and reference codes. The choice of material shall always be made in order to ensure that noise levels are minimized and to avoid acoustics.

The Architect shall integrate entertainment, catering and lighting information provided by the Builder into the architecture! plans for the areas listed above and ensure at all times to comply with the instructions provided by the Builder with regards to electricity routing for tv and other devices.

The Architect shall select and present loose furniture (two (2) proposals for each item) and deliver a list of selected loose furniture The Architect shall further lia\_se with the Builder to agree final selections, locations, mounting and lighting requirements.

### 2.3 DESIGN FOLLOW-UP

The Architect will appoint a senior project manager as a full-time project manager who will :

- (a) be the main point of contact for the Builder, including for coordination and interface with the Interior Supplier;
- (b) check and approve all workshop drawings prepared by the Interior Supplier as soon as possible after the Builder has provided copies of the same;
- (c) answer questions from the Builder;
- (d) make visits to the Interior Supplier and other relevant contractors during construction as agreed from time to time with the Builder in order to supervise the progress of the work; and
- (e) if applicable, attend regular team/project meetings at the Builder's shipyard or such other site as designated by the Builder.

The Architect will receive all production drawings prepared by the Builder and the Interior Supplier and check for design interpretation accuracy.

In addition to the above, the Architect will make visits to the Interior Supplier and other relevant contractors during construction as agreed from time to time with the Builder in order to supervise the progress of the work Such supervision services will be charged by the Architect.

### 2.4 TECHNICAL REQUIREMENTS

The Architect shall develop and provide the Interior Design in compliance with the technical specifications and any technical restrictions of the Vessel, Weight, noise and vibrations levels shall be minimized and kept within agreed limits and the Architect shall always keep within class requirements for noise and vibration and weight per area. In the event that any proposal for the interior design exceeds any applicable limitations

### 3. Architect Plan

The Architect shall provide its services in a timely manner pursuant to the Architect Plan. The Architect Plan means the detailed schedule for delivery by the Architect of stage 1 and stage 2 sketches, Design Drawings, Materials and other deliverables

As soon as practical after the Date of Contract the Builder shall put forward a proposed Architect Plan, The Architect Plan will be based on the Project CX104 — Architects Schedule - Annex 2 provided in The Architect's offer dated 12<sup>th</sup> of September 2017.

Any actual delay(s) in the construction of the Vessel arising on account of delays in deliveries from the Architect compared to the time limits set out in the Architect Plan and/or any delay resulting from changes or updates of the interior design required due to deviations from applicable technical requirements as set out above, shall constitute Permissible Delay pursuant to Article IX, clause 3 of the Contract.

#### **4. Review and acceptance**

The Architect shall provide general layout, concept sketches, coloring renders and proposed material selection for Design Development Stage 1 in accordance with the Architect Plan for review by the Builder. The Builder will liaise with the Buyer for any comments and input from the Buyer and will include such comments when reverting to the Architect. The Buyer shall provide any comments it may have promptly and no later than within the deadlines set out in Article V clause 1 of the Contract. Any actual delay(s) in the Construction of the Vessel caused by delayed comments from the Buyer shall constitute Permissible Delay pursuant to Article IX clause 3 of the Contract.

Any and all communication regarding approval of design drawings, materials or other deliverables and generally with respect to the Scope of Work shall be made between the Architect and the Builder only and not directly between the Architect and the Buyer, unless agreed in writing with the Builder.

Ulstein Verft AS  
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Tel +47 7000 8000  
Ent No NO 912 447 561 MVA

[www.utstein.com](http://www.utstein.com)



[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

## Appendix V Lump sums

CX104 - U11060

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### Appendix V LUMP SUMS

#### 1. General

The items set out in this Appendix V are priced as lump sums in the Contract Price. This as the final scope and quality of these items are not yet defined.

The lump sum prices set out in item 2, 3 and 4 in this Appendix V are set on basis of the net cost payable by the Builder to the relevant suppliers, and the lump sum prices set out in item 5 in this Appendix V are set on basis of the net installed cost per square meter payable by the Builder to the interior supplier. The lump sum prices set out in this Appendix V do not include any margins for the Builder. In the aggregate lump sum included in the Contract Article III, clause 1, a [\*] for the Builder is added to the lump sums set out herein.

Notwithstanding any other provision of this Appendix V, the intention of the parties is that the lump sum amounts for the overall interior solution be applied on a net aggregate basis, with any overage in one or more areas or groupings to be offset by reductions achieved elsewhere.

In the case of the weight limits set out in this Appendix V, the distribution of weights for the overall interior solution may be applied on a net aggregate basis, with any overage in one or more areas or groupings to be offset by reductions achieved elsewhere, provided always that such re-distribution of weight on the Vessel does not in any way affect the Vessel's stability and/or Center of Gravity (COG). The Builder and the Buyer shall work cooperatively to achieve an overall weight and weight distribution consistent with the stability requirements with the aim not to compromise quality or increasing price.

#### 2. Galley and Laundry equipment

For the Galley and Laundry equipment described in the Building Specification, Sub Group 55, cf. Addendum A3.9 to the Building Specification, the following aggregate lump sum is included in the Contract Price.

[\*]

Notwithstanding anything to the contrary set out in the Building Specification if the actual price of the equipment listed in Addendum A3.9 to the Building Specification exceeds the lump sum set out in this item 2, the lump sum set out in this item 2 shall prevail and the standard and/or quality of the respective equipment may be reduced accordingly. If the Buyer decides to increase the standard and/or quality in excess of the lump sum set out in this item 2, the Contract Article VI shall apply and any costs incurred as a result hereof plus a [\*].

#### 3. Miscellaneous

The following elements as further described in the Building Specification, Sub Group 51 and Sub Group 54, from the previous list of Buyer's Supplies are included as net cost lump sums in the Contract Price:

	<b>NOK</b>
<b>Decorative lightning</b>	[*]
<b>Outdoor loose furniture on suite balconies</b>	[*]
<b>Outdoor loose furniture in public spaces</b>	[*]
<b>TV-sets in passenger suites</b>	[*]
<b>Spa &amp; fitness equipment</b>	[*]
<b>Total included</b>	[*]

[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

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**4. Hot tubs**

For the 2 hot tubs described in the Building Specification Sub Group 537, the following lump sum is included in the Contract Price:

[\*]

**5. Interior standard, cost & weight**

The following maximum prices per square meter for the respective areas are included in the Contract Price, ref the Building Specification, Group 51, Table 5.11.

Notwithstanding anything to the contrary set out in the Building Specification, if the standard and/or quality of the reference vessels referred to in table 5.11 of the Building Specification exceeds the maximum price limit per sqm as set out the table below in aggregate for the relevant areas of the Vessel, the maximum price limit per sqm as set out in the table below shall prevail over the standard and/or quality of the reference vessels, and the standard and/or quality of the respective areas in the Vessel may be reduced accordingly. If the Buyer decides to increase the standard and/or quality in excess of the maximum price limit per sqm set out in the table below in aggregate for the relevant areas of the Vessel, the Contract Article VI shall apply and any costs incurred as a result hereof [\*] .

Further, notwithstanding anything to the contrary set out in the Building Specification, if the standard and/or quality of the reference vessel(s) referred to in table 5.11 of the Building Specification exceeds the maximum weight limits per sqm as set out in the right columns in the table below, the maximum weight limits per sqm as set out in the table below shall prevail over the standard and/or quality of the reference vessels, and the weight in the respective areas of the Vessel shall be reduced accordingly. If the Buyer wish to increase the standard and/or quality in excess of the maximum weight limits per sqm, the Contract Article IV shall apply and such change is subject to agreement on adjustments in Contract Price. Delivery Date and such other terms and conditions occasioned by or resulting from such change (including but not limited to any reduction in Deadweight)

For the avoidance of doubt, the necessary comfort, sound and fire insulation as required by regulations and class notation, according to the Building Specification in general, is included in the Builders scope and as such included in the Contract Price (and not a part of the lump sums in the table below).

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	SQM	NOK/m <sup>2</sup>		SUM NOK		Kg/m <sup>2</sup>	Weight
	[*]	[*]	[*]	[*]	[*]	[*]	[*]
	[*]	[*]	[*]	[*]	[*]	[*]	[*]
	[*]	[*]	[*]	[*]	[*]	[*]	[*]
<b>C.) r 3 a.</b>	[*]	[*]	[*]	[*]	[*]	[*]	[*]
Public Area	[*]	[*]	[*]	[*][*]	[*][*]	[*]	[*]
<b>Public Stairs</b>	[*]	[*]	[*]			[*]	[*]
	[*]	[*]	[*]	[*]	[*]		[*]
Public Sauna I / Wellness	[*]	[*]	[*]	[*]	[*]	[*]	[*]
Public Yoga / Fitness	[*]	[*]	[*]	[*]	[*]	[*]	[*]
	[*]	[*]	[*]	[*]	[*]		[*]
Crew Accommodation	[*]	[*]	[*]	[*]	[*]	[*]	[*]
Crew Cabins	[*]	[*]	[*]	[*]	[*]	[*]	[*]
Crew Corridore / Stairs - Painted	[*]	[*]	[*]	[*]	[*]	[*]	[*]
		[*]					[*]
	[*]	[*]	[*]	[*]	[*]		[*]
	[*]	[*]	[*]	[*]	[*]	[*]	[*]
= a_	[*]	[*]	[*]	[*]	[*]	[*]	[*]
= 0)	[*]	[*]	[*]	[*]	[*]	[*]	[*]
Provision Areas + Garbage + Liquor store	[*]	[*]	[*]	[*]	[*]	[*]	[*]
	[*]	[*]	[*]	[*]	[*]		[*]

The above maximum price per square meter includes the following per area.

**(a) PAX Cabins - Suites**

Walls and Ceiling including supports and installation materials, floor underlay, top floor, fixed and loose furniture inside, wet unit, cabin door, mattresses and curtains.

**(b) Public Corridor in PAX Area**

Walls and Ceiling including supports and installation materials, floor underlay, top floor, fixed furniture handrails

**(c) Public Area**

Walls and Ceiling including supports and installation materials, floor underlay, top floor, fixed and loose furniture inside, doors curtains.

**( ) Public Stairs**

Walls and Ceiling including supports and installation materials, floor underlay, top floor, fixed furniture inside, doors, handrails

**(a) Public Sauna / Wellness**

Walls and Ceiling including supports and installation materials, floor underlay, top floor, fixed and loose furniture inside doors, curtains, Excluding Spa- and Relax equipment.

**(b) Public Yoga / Fitness**

Walls and Ceiling including supports and installation materials, floor underlay, top floor, fixed and loose furniture inside, doors, curtains Excluding Yoga- and Fitness Equipment.

**(c) Crew Accommodation**

Walls and Ceiling including supports and installation materials, floor underlay, tap floor, fixed and loose furniture inside, wet unit, doors, mattresses and curtains. Handrails.

**(h) Crew Cabins**

Walls and Ceiling including supports and installation materials, floor underlay, top floor, fixed and loose furniture inside, wet unit, cabin door, mattresses and curtains.

**(i) Crew Corridor I Stairs**

Foil or thin sheet cladding, doors (A/B), floor underlayer and top layer

**(j) Galley**

Walls, Ceiling, doors (A/B), floor,

**(k) Pantry**

Walls, Ceiling, doors (A/B), floor,

**(l) Provision Areas / Garbage I Liquor store**

Walls, Ceiling, doors (NB), floor, Provision shelves

All costs in this Appendix V are based on the Building Specification rev 8, issued on 1st November 2017 and the General Arrangement rev 11, issued on 31<sup>st</sup> October 2017.

**Appendix VI**

**OPTION AGREEMENT**

BETWEEN

**ULSTEIN VERFT AS**  
**(As “BUILDER”)**

AND

**LINDBLAD MARITIME ENTERPRISES, LTD**  
**(AS “BUYER”)**

FOR

**TWO ULSTEINO CX104 Exploration Cruise Vessels**

[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

THIS OPTION AGREEMENT is made this 1<sup>st</sup> day of November 2017, by and between:

Ulstein Verft AS (business org. no. 912 447 561), a company organised and existing under the laws of Norway, having its principal office at Osneset, N-6065 Ulsteinvik, Norway, (hereinafter called the "Builder")

and

**Lindblad Maritime Enterprises, Ltd** (business org. no. CT-185923), a company organised and existing under the laws of the Cayman Islands, having an office at 99 Morton Street, New York, New York (hereinafter called the "Buyer"),

#### WHEREAS

- A. By a shipbuilding contract of even date made between the Buyer and the Builder (the "**Shipbuilding Contract**") and in consideration of the mutual covenants therein contained, the Builder agreed to design, build, launch, equip, complete, sell and deliver to the Buyer at the Builder's shipyard one ULSTEIN® CX104 Exploration Cruise Vessel, bearing the Builder's Hull no 312, as described in Article II of the Shipbuilding Contract and the specifications attached thereto (the "**Vessel**"), and to deliver and sell the same to the Buyer and the Buyer agreed to purchase and accept delivery of the said Vessel from the Builder and to pay for the same upon and subject to the terms and conditions therein set forth.
- B. It was a term and condition of the Buyer's agreement to enter into and execute the Shipbuilding Contract that the Builder should grant the Buyer an option to purchase up to two (2) additional vessel identical to the Vessel (the "Optional Vessel") upon and subject to terms and conditions identical to the Shipbuilding Contract, with only logical amendments.

**NOW THEREFORE**, in consideration of the mutual covenants contained herein and for other good and valuable consideration (the receipt of and adequacy of which is hereby acknowledged by the parties), the parties have agreed as follows:

#### 1. The Option

The Buyer shall have an option to order and purchase up to two (2) additional vessels identical to the Vessel to be constructed, delivered and sold by the Builder to the Buyer (hereinafter the "Optional Vessel(s)") on the following terms and conditions:

#### 2. Contract price

The contract price for the first Optional Vessel shall be [\*] and the contract price for the second Optional Vessel shall be [\*].

All payments under the shipbuilding contract(s) for the Optional Vessel(s) shall be made in Norwegian Kroner (NOK), or provided that an Exchange Rate Agreement in the form of Appendix VIII to the Shipbuilding Contract, is entered into latest within 15:00 CET on the date of effectiveness of the shipbuilding contract for the Optional Vessel(s), an equivalent amount in USD based on the relevant currency set out therein.

The contract price for the Optional Vessels as set out herein, is subject to delivery dates for the Optional Vessels within the dates set out in clause 3, full re-use of the engineering documentation and use of equipment identical to the equipment included in the Vessel on the date of signing this Contract. Further, (i) if there are any changes in the rules, regulations and/or requirements of the Classification Society or other regulatory bodies (including national authorities), which applies mandatory to the Optional Vessel(s), and/or (ii) if steel prices increase by more than [\*] (from the date of signing this Option Agreement to the date of signing of the shipbuilding contract for the relevant Optional Vessel), and/or (iii) in respect of the second Optional Vessel, if there is a change of more than [\*] in the NOICIUSD, and/or the NOK/EUR exchange rates, and/or the Norwegian Producer Price Index (in each case from the date of signing this Option Agreement to the date of signing of the shipbuilding contract for the Second Optional Vessel), the Builder reserves the right to adjust the contract price and other relevant contract terms in respect of such change(s) or increase for the affected Optional Vessel. The Builder further reserves the right to adjust the contract price and other relevant contract terms for the Optional Vessels reflecting any change order(s) for the Vessel entered into between the Buyer and the Builder after the date of signing this Contract.

### **3. Delivery time**

The delivery dates for the Optional Vessel(s) shall be determined by the parties but the first Optional Vessel shall be delivered no later than 12 months after delivery of the Vessel, and the second Optional Vessel shall be delivered no later than 12 months after delivery of the first Optional Vessel, subject always to free capacity at the Builder's shipyard and free capacity at the Builder's subcontractor's hull yard.

### **4. Other contractual terms**

If the Buyer exercises the option in writing within the time limits set out in clause 5 below, the Buyer and the Builder shall within seven (7) Working Days thereafter, enter into an effective and binding shipbuilding contract for the Optional Vessel(s). With the exception of the contract price and the delivery date, as per clause 1 and 2 above as well as other logical amendments, the terms and conditions of the shipbuilding contract for the Optional Vessel shall be identical to this Contract.

### **5. Option period and exercise**

This Option Agreement shall be valid as from the effective date of the Shipbuilding Contract.

The Buyer's option to purchase the first Optional Vessel may be exercised by the Buyer by written notice to the Builder at any time before and including the date falling six (6) consecutive months after the effective Date of the Shipbuilding Contract.

The Buyer's option to purchase the second Optional Vessel may be exercised by the Buyer by written notice to the Builder at any time before and including the date falling six (6) consecutive months after the effective date of the shipbuilding contract for the first Optional Vessel.

For the avoidance of doubt, if the option for the first Optional Vessel is not exercised by the Buyer within the option period of six (6) months as set out in this clause 5, the Buyer's option to purchase the Optional Vessels shall cease in full.

**6. Assignment**

Neither of the parties hereto shall assign this Option Agreement to any third party unless prior consent of the other party is given in writing. Such consent shall not be unreasonably withheld.

**7. Confidentiality**

The existence of this Option Agreement and the contents hereof shall be kept confidential and shall not be disclosed to any third party without the other party's prior written approval.

**8. Governing law**

This Option Agreement shall be governed by the same jurisdiction and shall be subject to the same arbitration proceedings as set out in the Shipbuilding Contract for the Vessel.

**9. Exclusion of third party rights**

A person or entity who is not a party to this Option Agreement shall have no right (whether by implication or as a matter of statute) to enforce or to enjoy the benefit of any term of this Option Agreement.

This Option Agreement has been drawn up in two (2) identical originals, one for each party.

New York, 1<sup>st</sup> November 2017

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Ulstein Verth AS

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Lindblad Maritime Enterprises



[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

### Appendix VII Fuel Consumption Guarantee

#### Fuel Consumption Guarantee

The Brake Specific Fuel Consumptions (BSFC) for constant [\*] and

[\*] engines meeting IMO Tier III emissions standards are as listed in Table 1 below.

Engine	Emission Level	Duty Cycle	% Load	Power Level (BHP)	Engine RPM	BSFC UR (OM- hr)
[*]	IMO TIII	E2	85%	[*]	[*]	[*]
[*]	IMO TIII	E2	85%	[*]	[*]	[*]

[\*] shall guarantee that the respective BSFC for the two [\*] engines and the two [\*] engines, when tested at the [\*] test cell, shall be at or better than the BSFC values listed in table 1 for the given engine/emissions configuration. Fuel consumption test procedure calculations as measured for an E2 duty cycle shall be performed following testing in the [\*] test cell. Measurement of fuel consumption shall happen at 100% speed, [\*] load, as measured by the test cell power measurement system with a [\*] accuracy tolerance. The consumption over the 100% speed, [\*] load period shall not exceed the measurement amount as shown in table 1. The fuel consumption shall be measured via a gravimetric scale.

#### Performance Penalty

If the actual BSFC of each engine meets or is better than the corresponding value listed in Table 1, no penalty applies. If the actual BSFC of each engine does not meet the guaranteed level of fuel consumption, [\*] shall have one (1) month (per engine) to rectify any problem(s) with the engine(s) or test equipment, and re-test the engine(s). If after the one month period and retest [\*] is unable to rectify the problem(s), the following performance penalty shall apply:

- [\*]

OR

- [\*]

These performance penalties are Buyers sole and exclusive remedy, and [\*]'s sole and exclusive obligations with respect to fuel consumption.

## Appendix VIII Exchange Rate Agreement

THIS EXCHANGE RATE AGREEMENT is made this day of November 2017 by and between:

**Ulstein Verft AS** (business org. no. 912 447 561), a company organised and existing under the laws of Norway, having its principal office at Osneset, N-6065 Ulsteinvik, Norway, (hereinafter called the “Builder”)

and

**Lindblad Maritime Enterprises, Ltd** (business org. no. CT-185923), a company organised and existing under the laws of the Cayman Islands, having an office at 99 Morton Street, New York, New York (hereinafter called the “Buyer”),

### WHEREAS

- A. By a shipbuilding contract dated 1 November 2017 made between the Buyer and the Builder (the “**Shipbuilding Contract**”) and in consideration of the mutual covenants therein contained, the Builder agreed to design, build, launch, equip, complete, sell and deliver to the Buyer at the Builder’s shipyard one ULSTEIN® CX104 Exploration Cruise Vessel, bearing the Builder’s Hull no 312, as described in Article II of the Shipbuilding Contract and the specifications attached thereto (the “**Vessel**”), and to deliver and sell the same to the Buyer and the Buyer agreed to purchase and accept delivery of the said Vessel from the Builder and to pay for the same upon and subject to the terms and conditions therein set forth.
- B. It was a condition for the Buyer’s agreement to enter into and execute the Shipbuilding Contract that the Builder should grant the Buyer an option to change the payments under the Shipbuilding Contract from Norwegian Kroner (NOK) to US Dollars (USD).
- C. The Builder has agreed to grant the Buyer such option on the terms and conditions set out herein.

**NOW THEREFORE**, in consideration of the mutual covenants contained herein and for other good and valuable consideration (the receipt of and adequacy of which is hereby acknowledged by the parties), the parties have agreed as follows:

Notwithstanding any provision of the Shipbuilding Contract to the contrary, the Buyer shall have an option to change the payments under the Shipbuilding Contract from Norwegian Kroner (NOK) to US Dollars (USD) as follows:

- (a) For the Buyer’s payment of the 1st Instalment under the Shipbuilding Contract, as set out in Article III, clause 3 (a), a USD / NOK exchange rate at \_\_\_\_\_ shall apply.
- (b) For the Buyer’s payment of the Instalment on Delivery and Acceptance, as set out in the Shipbuilding Contract Article III, clause 3 (b) and as set out in Article III, clause 6
- (c) — (e) as applicable, the Shipbuilding Contract, a USD / NOK exchange rate at \_\_\_\_\_ shall apply.

(c) Any liquidated damages payable by the Builder by way of a reduction in the Contract Price (if any) as set out in Article VI of the Shipbuilding Contract, shall be converted to an equivalent amount in USD based on the exchange rate obtained from Norges Bank ([http://www.norgesbank.no/en/Statistics/exchange\\_rates/currency/](http://www.norgesbank.no/en/Statistics/exchange_rates/currency/)) on the date of payment by the Builder.

This Exchange Rate Agreement has been drawn up in two (2) identical originals, one for each party.

FOR AND ON BEHALF OF:

Lindblad Maritime Enterprises, Ltd.

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Duly Authorized Signatory Name:

FOR AND ON BEHALF OF:

Ulstein Verft

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Duly Authorized Signatory Name:

Title:

Date:

Appendix IX Fuel Oil Consumption Estimate



ULSTEIN®

Technical Report

<b>Title:</b>	<b>Uistein 0X104— FO consumption calculation</b>		
<b>Discipline:</b>	<b>Machinery</b>		
<b>Project No:</b>	<b>U11060</b>		
<b>Client:</b>	<b>Lindblad</b>		
<b>Author:</b>		<b>Date Issued:</b>	<b>27.10.2017</b>
<b>Design type:</b>	<b>CX104</b>	<b>Vessel Name:</b>	
<b>Description/ Scope of Work:</b>	<b>FO consumption calculation, based on design information as of 27.10.2017</b>		

[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Main particulars Particular	Value
Length over all (LOA)	[*]
Breadth moulded (B)	[*]
Depth from Freeboard Deck	[*]
Max draught	[*]
Design draught	[*]
Deadweight at design draught	[*]

Introduction

## MACHINERY

Diesel-electric machinery system.

[\*]

[\*]

[\*]

[\*]

[\*] . Final analysis of number, type and location to be verified by designer's estimates and supplier calculations and advice.

## ASSUMPTIONS

10 capacity (MGO) approx: [\*] excl, FO overflow tank

FW capacity approx: [\*]

The vessel is arranged with high capacity redundant water production equipment

2 x FW reverse osmosis plant, each with capacity of approx. [\*] .

IMAGE OMITTED 1 x FW generator plant, capacity approx. [\*]

**[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.**

Transit condition

Power consumption In transit is based on CFD calculations.

FOC estimate is performed under the following assumptions.

- [\*] draught
- Calm water for transit conditions Clean hull and ISO 3046-1 conditions
- Fuel is marine gasoil with net heating value [\*] MJ/kg
- Auxiliary/hotel loads are included in all modes with [\*] ekW.
- No AC compressors in operation in Polar Waters, chilled water circulation in operation.
- The fuel oil consumption is based on theoretic estimates. SFOC tolerance from eng. manufacturer [\*]

FOC AND EFFICIENCIES

The numbers for fuel oil consumption is based on theoretical values and calculations.

[\*]

[\*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

Case: Transit in [\*]

In a transit speed of [\*] we assume approx. [\*] (Number based on numerical CFD analysis related to the specified hull lines and conditions as specified above). We assume that [\*] engines of [\*].

There are two sets of efficiency numbers used in this report. Set 1 is [\*] experience based numbers, set 2 is numbers received from [\*].

[\*]

A hotel load of [\*] has been added as a secondary calculation to see the FO consumption change in the event of an increase in load.

Using the above input and calculation method we get the following results.

[\*]

## Subsidiaries

Entity	Jurisdiction of Organization
Lindblad Expeditions, LLC	Delaware
Lindblad Maritime Ventures, Inc.	Delaware
Lindblad Maritime Enterprises, Ltd.	Cayman Islands
Natural Habitat, Inc.	Colorado
LEX Quest LLC	Nevada
LEX Venture LLC	Nevada
SPEX Sea Bird Ltd.	Nevada
SPEX Sea Lion Ltd.	Nevada
Lindblad Global Trading, Inc.	New York
LEX Explorer LLC	Nevada
SPEX Calstar LLC	Nevada
LEX Endurance Ltd.	Cayman Islands
LEX Galápagos Partners I LLC	Nevada
LEX Galápagos Partners II LLC	Nevada
LEX Galápagos Partners III LLC	Nevada
Fillmore Pearl Holding, Ltd	Cayman Islands
NAVILUSAL Cia. Ltda.	Ecuador
Marventura de Turismo Cia. Ltda.	Ecuador
Metrohotel Cia. Ltda.	Ecuador
Fillmore Pearl (Cayman), Ltd	Cayman Islands
Fillmore Pearl (Cayman) II, Ltd.	Cayman Islands
Fillmore Pearl Acquisition Pty Ltd	Australia (Victoria)
Fillmore Pearl Investment Pty Ltd	Australia (Victoria)
Capricorn Cruise Line Pty Limited	Australia (New South Wales)
Orion Group Holdco Pty Limited	Australia (New South Wales)
Lindblad Expeditions Pty Ltd.	Australia (New South Wales)
Orion Xpeditions Pty Limited	Australia (New South Wales)
The Orion Expedition Cruises Unit Trust	Australia (New South Wales)



INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Lindblad Expeditions Holdings, Inc. on Form S-3 (File No. 333-206657), Form S-8 (File No. 333-212741) and Form S-8 (File No. 333-206884) of our report dated March 2, 2018 with respect to our audits of the consolidated financial statements of Lindblad Expeditions Holdings, Inc. and Subsidiaries as of December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015, which report is included in this Annual Report on Form 10-K of Lindblad Expeditions Holdings, Inc. for the year ended December 31, 2017.

/s/ Marcum LLP

Marcum LLP  
Melville, NY  
March 2, 2018

**Certification**

I, Sven-Olof Lindblad, certify that:

1. I have reviewed this Annual Report on Form 10-K of Lindblad Expeditions Holdings, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as identified in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: March 2, 2018

/s/ Sven-Olof Lindblad

Sven-Olof Lindblad

Chief Executive Officer and President

**Certification**

I, Craig I. Felenstein, certify that:

1. I have reviewed this Annual Report on Form 10-K of Lindblad Expeditions Holdings, Inc. (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as identified in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: March 2, 2018

/s/ Craig I. Felenstein  
Craig I. Felenstein  
Chief Financial Officer

**Certification of CEO Pursuant To  
18 U.S.C. Section 1350,  
As Adopted Pursuant To  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K for the year ended December 31, 2017 of Lindblad Expeditions Holdings, Inc., a Delaware corporation (the “Company”), as filed with the Securities and Exchange commission on the date hereof (the “Report”), I, Sven-Olof Lindblad, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 2, 2018

/s/ Sven-Olof Lindblad

\_\_\_\_\_  
Sven-Olof Lindblad

Chief Executive Officer and President

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification of CFO Pursuant To  
18 U.S.C. Section 1350,  
As Adopted Pursuant To  
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report on Form 10-K for the year ended December 31, 2017 of Lindblad Expeditions Holdings, Inc., a Delaware corporation (the "Company"), as filed with the Securities and Exchange commission on the date hereof (the "Report"), I, Craig I. Felenstein, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 2, 2018

/s/ Craig I. Felenstein  
\_\_\_\_\_  
Craig I. Felenstein  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.