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INSIDE

The Week in Review
page 1

Market Commentary
page 3

Back to the Futures
page 9

Imarex Physical Update
page 10

**Deal Tables &
Bond Prices**
page 11

Conference Schedule
page 17

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The Week in Review

Deal of the Year Nominations

It is with great pleasure we make this call for nominations for the best in ship finance transactions for 2008. It is for us a fascinating way to celebrate your achievements.

To do the job properly we are sending this call for nominations to you so that you and your colleagues can send us Deals that you feel merit consideration for an Award.

This year we are considering Deals in the following categories:

Shipping Firm of the Year
Innovation
Export Credit
Debt Private Placement
Project Finance
Bank Debt
Restructurings
Public Equity - IPO and Secondaries
Private Equity
Leasing
M&A
Structured Finance
Dealmaker of the Year

There are two ways to respond:

1. By visiting the following link:
<http://www.shrinkmylink.com/gnehton> and filling in the survey as prompted. This is an anonymous way of submitting Deals for consideration. Or,
2. By simply emailing, or sending us those Deals you feel merit consideration.

The more detail the better as our editors review the transactions and while you may have lived with a Deal for months and understand every nuance, we benefit from your input.

This is one exercise we undertake each year that gives us enormous pride in the achievements of our friends. We salute you without having even seen a submission and look forward with anticipation hearing back from you. We are delighted to celebrate and acknowledge the contributions of you and your team to the industry.

The Deadline for submissions to be considered is December 31. The Awards will be announced in Our February issue.

Thank you and congratulations in advance.

GMR and ATB Become One

On Tuesday, the shareholders of both **General Maritime Corporation** ("Genmar") and **Arlington Tankers Ltd.** ("Arlington") approved the proposed combination of the companies with an ample majority. At the Genmar meeting, 21.9 million votes were cast in favor of the combination with 0.1 million against. The shares voting for adoption of the combination represented 99.25% of the shares voted at the meeting and approximately 69.97% of the shares outstanding. In the case of Arlington, 9.8 million shares were voted for the merger with 1.2 million voting against. In this instance the shares voted in favor represented approximately 89% of the shares voted at the meeting and 63.6% of the shares outstanding.

The new Genmar is now well-positioned with its diverse double hull fleet to provide quality service to its charterers as well as create near-term value for its shareholders through the \$2 dividend target which is supported by the fleet's contracted revenue stream.

We congratulate the parties on a well-structured transaction, which, being based upon an exchange of shares, was successfully concluded in these most turbulent of times.

Conflict Resolution – The Right Way

On Monday, **Pacific Basin** announced that over the last month it's subsidiary ("Company") which was engaged in chartering-in vessels had reached a compromise with the group of shipowners from whom it had chartered-in those vessels. The owners and the Company mutually agreed to the early termination of the charters and simultaneously entered into new charters at market rates in respect of those vessels. Currently, the existing charters have remaining charter periods ranging from 6 months to 3.5 years.

Under the terms of the transactions, the Company will make one-off advanced payments to the owners totaling \$37 million in 2008 to lower its future charter-hire by \$41.9 million between 2008 and 2012 with \$28 million of the savings occurring in 2009. The consideration paid represents the charter hire that would have been under the existing charters between the early termination dates and 2012.

"In view of the unprecedented fall in the dry bulk market and the weakening global economic outlook, the Directors of the Company consider that the transactions will enable the Company to (a) secure a cash saving of US\$4.9 million representing the discounted value of early payment of the Consideration; and (b) reduce its daily charter-hire payments on these nine Handysize vessels and one Handymax vessel over their remaining charter periods between 2008 and 2012."

In terms of numbers it looks like the table below.

Clearly there was a meeting of the minds with a fair result for all.

Conflict Resolution – The Wrong Way

About two weeks ago **Fortescue Metals Group** ("FMG") announced "... that consistent with the continued prudent management of its business and in reflection of changed operating conditions, it has exercised suspension of all of its long-term CFR shipping Contracts of Affreightment and Consecutive Voyage Contracts on the basis of unforeseen circumstances."

As a consequence of this decision, volumes of product shipped will remain unchanged. The change will be between the split of sales on FOB and CFR terms. CFR sales are where FMG supplies the product on a landed basis into China where FOB sales are where the customer arranges its own freight from Port Hedland to China. Approximately, two thirds of current sales have been on CFR terms but this is likely to reduce to one third of sales.

Pacific Basin Charter Hire Analysis

	Remainder 2008	Remainder 2008	2009	2010	2011	2012	Total
Savings in/(additional) charter-hire	(37.0)	4.0	28.0	8.0	1.5	0.4	4.9

Prior to taking these steps, FMG sought legal advice and will continue to do so with respect to the ten contracts that have been "actioned."

Transportation costs can be significant particularly when it comes to dry bulk cargos. The cost is volatile and needs to be managed. In mere months, the cost of moving an ore cargo has gone from outrageous to trivial. While today it makes sense for suppliers to shift the risk of transportation to the receivers, particularly in light of volatility and current cheap transportation costs, there is little likelihood that they want it either. An opportunity might be lost in the argument. The provider of the lowest all-in cost will always have a competitive edge.

Market sources tell us that creditors have attached substantial amounts of FMG's cash under Rule B which will likely force FMG to the negotiating table sooner rather than later.

Downsized and Focused

In line with other financial institutions' actions, **HSH Nordbank's** Management and Supervisory Boards outlined a proposal this week for the restructuring of the bank. Specifically, they are calling for the reduction of portfolios, the spin-off of non-strategic activities and the structure of a regional core bank. The net effect will be a substantial reduction in the total assets of the core bank as well as a more parochial focus.

The proposed core business units include Corporate Clients, Private Banking, Savings Banks and Real Estate. It is intended that in the future they will have an even greater focus on North Germany and domestic clients. Bringing the focus home allows a better understanding of the client base and credit risk as well as a quid pro quo for government intervention.

Notwithstanding the new strategy, "(i)t is understood that the Shipping and Transportation units will continue to comprise the bank's core business and retain their global focus."

"By taking these measures, we aim to bolster our regional presence and the bank's financial strength. At the same time, we are minimizing risks and thus keeping all conceivable strategic options open", said HSH CEO, **Dr. Nonnenmacher**.

From the perspective of the shipping industry, this is very good news particularly in light of the recent consolidation in the relatively small group of specialist banks.

Market Commentary

It's All About Yield Or So We Think

At our esteemed President's suggestion, we compiled data on a number of traded securities including publicly traded stocks in New York, high yield bond from **Jefferies** and Norwegian high yield and convertible bonds from **NRP Securities ASA**. Below we have provided full descriptions of the bonds as well as more complete information on the stocks for greater insight. We then consolidated the data focusing simply on yield and sorted it from highest to lowest.

Matt's frivolous suggestion was that we could create a holiday shopping list for you from this data. For this Grinch, all these numbers should mean something and so we provide you with some ideas/comments in no specific order:

Jeffrey Pribor's, presentation of **Genmar** at Pareto's conference already had us thinking about this issue. Referring specifically to dividend paying companies, he noted that investors have yet to distinguish between those companies that will continue to pay dividends in the long-term from those who will not. He is waiting patiently for "Mr. Market" to come to his senses.

According to **Nicolay Friss** of **NRP Securities ASA**, the credit market remains stressed to unprecedented levels and monetary policy tools have yet to take effect. Norwegian bonds have taken a particularly strong beating as foreign investors are dumping illiquid and unrated papers. This has resulted in debt valuations substantially below levels warranted by fundamentals and have created interesting

investment opportunities for issuers and investors to buy bonds at heavily discounted levels and earn equity returns by investing in the top of the capital structure. The growth of the Norwegian high yield market experienced in 2006 and 2007 was to a large extent funded by hedge funds in London, continental Europe and US offsets. Many of these funds are now forced sellers because of margin calls and fund redemption. In addition, the Norwegian bond issues are mostly unrated and hence the portfolio managers are not able to achieve any leverage on their assets further contributing to the sell-off.

The Norwegian high yield bonds are in NOK and priced on a floating rate basis with short tenors. Here it appears that the market is in fact distinguishing credit risk looking at the names that are discounted. Generally, private investors and institutions hold these issues to maturity and that is reflected in the relatively small discount these issues carry.

A money manager wrote, "I think it is a bit like the final feast before the end of the world comes. Obviously, investors have very little confidence that past yields are any reasonable indicator of future dividends. Since these numbers are so extreme, it makes me wonder why they even bother paying them. Might it not be better to pay down debt (which surely must be scaring investors) or buy out weak shareholders (of which there are many).

But with BFI down a ton and access to debt markets closed, many shareholders are scared to death of leveraged shipping companies.

Selected indicative Norwegian Bond Prices, December 17, 2008

Companies	Industry	Status	Interest Type	Current Coupon	Maturity	Bid Price	Ask Price	Bid Spread	Bid YTW
Bluewater	FPSO	Senior unsecured	FRN (+300)	5.785	2014	37.0	42.0	2,484	26.4
B+H Ocean carriers	Shipping	Senior unsecured	FRN (+400)	6.099	2013	48.0	55.0	2,191	23.5
DOF	Offshore supply	Senior unsecured	FRN (+200)	9.040	2010	91.0	94.0	863	13.2
Eitzen Chemical	Shipping	Senior unsecured	FRN (+350)	11.230	2011	75.0	80.0	1,532	19.9
Camillo Eitzen	Shipping	Senior unsecured	FRN (+400)	10.910	2010	88.0	93.0	1,294	17.5
Nordic Heavy Lift	Heavy lift	2nd priority pledge	FRN (+600)	8.814	2012	36.0	43.0	4,301	44.6
Oceanteam Power & Umbilical	Offshore supply	Senior unsecured	FRN (+375)	10.230	2010	60.0	70.0	4,220	46.7
REM	Offshore supply	Senior unsecured	FRN (+205)	9.040	2011	91.0	94.0	657	11.1
SeaProduction	FPSO	2nd priority mortgage	FRN (+425)	7.054	2012	35.0	45.0	4,371	45.3
Golden Ocean	Shipping	Senior Unsecured	Fixed	3.625	2012	15.0	25.0	6,403	77.6
Petroleum Geo-Services	Seismic	Senior unsecured	Fixed	2.700	2012	40.0	44.0	2,848	29.4
Seadrill	Drilling contractor	Senior Unsecured	Fixed	3.625	2012	48.0	55.0	2,467	25.5
Songa Offshore	Drilling contractor	Senior Unsecured	Fixed	3.250	2010	48.0	54.0	6,301	63.4
Subsea 7	Offshore supply	Senior Unsecured	Fixed	0.000	2017	71.0	76.0	2,665	27.0
Subsea 7	Offshore supply	Senior Unsecured	Fixed	2.800	2011	63.0	67.0	2,358	24.2

Note: Indicative prices as of December 17, 2008

Source: NRP Securities, Jefferies and other brokerage houses

Selected Yield Universe

		GUIDE	
Shares	Black	U.S. High Yield	Red
Norwegian High Yield	Blue	Norwegian Convertible	Green
Issuer	YTW	Issuer	YTW
OCNF*	90.06%	Royal Caribbean Cruises	18.48%
Titan Petrochemicals	82.15%	Stena Ab	18.45%
Golden Ocean	77.60%	TGP	17.88%
RAMS	67.80%	Camillo Eitzen	17.50%
Songa Offshore	63.40%	Trailer Bridge Inc	16.60%
Us Shipping Partners/Fin	51.97%	Cma Cgm Sa	16.51%
Oceanteam Power & Umbilical	46.70%	Ultrapetrol(Bahamas) Ltd	16.47%
Blt Finance Bv	45.64%	Royal Caribbean Cruises	16.14%
SeaProduction	45.30%	ESEA	15.94%
Nordic Heavy Lift	44.60%	Ship Finance Intl Ltd	15.80%
PRGN	42.83%	FREE	15.54%
TNK	36.58%	Hornbeck Offshore Serv	15.13%
DAC	35.55%	Royal Caribbean Cruises	14.93%
GSL	33.00%	TOO	14.68%
SB	30.60%	Gulfmark Offshore Inc	14.15%
ONAV	30.53%	TRMD	13.75%
OSP	30.00%	Great Lakes Dredge&Dock	13.25%
Petroleum Geo-Services	29.40%	DOF	13.20%
DSX*	28.09%	GMR	13.18%
Cma Cgm	27.61%	VLCCF	12.64%
Subsea 7	27.00%	Stena Ab	12.14%
GNK	26.92%	HRZ	11.73%
Bluewater	26.40%	Royal Caribbean Cruises	11.66%
Seadrill	25.50%	Seacor Holdings Inc	11.38%
EGLE	24.78%	NM	11.32%
NMM	24.56%	REM	11.10%
SBLK	24.29%	Overseas Shiphldg Group	10.89%
Subsea 7	24.20%	Stena Ab	10.13%
B+H Ocean carriers	23.50%	Teekay Corp	9.72%
KSP	22.09%	Overseas Shiphldg Group	9.51%
SSW	21.59%	TNP	8.81%
CPLP	21.30%	Seabulk Intl Inc	8.26%
DHT	20.55%	TK	7.72%
ATB	20.34%	Golden State Petro Trans	7.32%
SFL	20.22%	DRYS	7.19%
EXM	20.05%	FRO	6.89%
Eitzen Chemical	19.90%	Seacor Holdings Inc	5.99%
Navios Maritime Holdings	19.54%	AXB	4.95%
Royal Caribbean Cruises	19.39%	OSG	4.22%
Stena Ab	19.15%	TOPS	0.00%
NAT	18.63%	TBSI	0.00%

*Dividend suspended

Current Stock Yield Analysis (as of 12/16/08)

Company	Share Price	Quarterly Dividend	Yield %	52-week Hi	52-week Lo
Tankers					
TOPS	1.68	0.00	0.00	11.40	1.25
OSG	41.43	0.44	4.22	87.79	28.29
FRO	29.04	0.50	6.89	72.36	25.00
TK	16.39	0.32	7.72	56.34	10.95
TNP	20.43	0.90	8.81	39.32	16.45
VLCCF	15.82	0.50	12.64	35.00	10.01
GMR	15.17	0.50	13.18	31.00	8.72
TRMD	12.51	0.78	13.75	37.97	9.73
NAT	34.57	1.61	18.63	42.00	22.00
SFL	11.87	0.60	20.22	32.90	8.19
ATB	11.21	0.57	20.34	24.32	6.20
DHT	5.84	0.30	20.55	13.63	3.00
ONAV	6.55	0.50	30.53	22.20	4.80
RAMS	0.59	0.20	67.80	7.77	0.55
Dry					
TBSI	9.23	0.00	0.00	0.00	0.00
DRYS	11.13	0.20	7.19	116.43	3.04
NM	3.18	0.09	11.32	14.95	1.10
FREE	1.93	0.08	15.54	8.19	0.87
ESEA	5.02	0.20	15.94	17.49	2.88
EXM	7.98	0.40	20.05	60.99	3.25
SBLK	2.75	0.17	24.29	14.95	1.72
EGLE	8.07	0.50	24.78	36.24	2.55
GNK	14.86	1.00	26.92	84.51	6.43
DSX*	13.53	0.95	28.09	41.10	6.85
SB	6.21	0.47	30.60	19.75	2.98
PRGN	4.67	0.50	42.83	22.61	2.25
OCNF*	3.42	0.77	90.06	29.96	1.80
MLP					
TOO	12.26	0.45	14.68	26.77	6.22
TGP	12.75	0.57	17.88	32.50	9.10
CPLP	7.70	0.41	21.30	24.93	5.52
KSP	13.94	0.77	22.09	38.22	10.80
NMM	6.27	0.38	24.56	19.26	3.10
OSP	5.00	0.38	30.00	18.55	3.16
TNK	11.70	1.07	36.58	26.14	4.82
Container					
GSL	2.79	0.23	33.00	8.05	2.37
AXB	25.43	0.31	4.95	55.04	20.64
HRZ	3.75	0.11	11.73	23.50	1.95
SSW	8.80	0.47	21.59	31.40	4.37
DAC	5.24	0.47	35.50	30.20	2.89

*Dividend Suspended

US Bonds

	Ask	YTW	STW	Maturity	Ratings	Call Date	Call Price
SHIPPING							
CMA CGM (CMACG)							
5.5% Sr Unsecured due '12	52.000	27.61%	2,464	05/16/12	- / BB+	any time	MW+50
7.75% Senior Notes due '13	72.484	16.51%	1,406	02/01/13	- / BB+	02/01/09	107.250
Great Lakes Dredge&Dock (GREATL)							
7.75% Senior Notes due '13	80.000	13.25%	1,049	12/15/13	Caa1 / B-	12/15/08	103.875
Navios Maritime (BULK)							
9.5% Senior Notes due '14	65.000	19.54%	1,656	12/15/14	B3 / B+	12/15/10	104.750
Royal Caribbean Lines (RCL)							
8% Sr Unsecured due '10	94.980	11.66%	1,016	05/15/10	Ba1 / BB+	NC	NC
8.75% Sr Unsecured due '11	88.500	14.93%	1,323	02/02/11	Ba1 / BB+	NC	NC
7% Sr Unsecured due '13	71.000	16.14%	1,354	06/15/13	Ba1 / BB+	NC	NC
6.875% Sr Unsecured due '13	62.743	18.48%	1,571	12/01/13	Ba1 / BB+	NC	NC
5.625% Sr Unsecured due '14	57.000	19.39%	1,617	01/27/14	Ba1 / BB+	NC	NC
Ship Finance International Ltd. (SHIPFI)							
8.5% Senior Notes due '13	75.000	15.80%	1,303	12/15/13	B1 / B+	12/15/08	104.250
Stena AB (STENA)							
7.5% Sr Unsecured due '13	83.000	12.14%	940	11/01/13	Ba2 / BB+	11/01/09	102.500
7% Sr Unsecured due '16	83.000	10.13%	670	12/01/16	Ba2 / BB+	12/01/09	103.500
6.125% Senior Notes due '17	47.000	19.15%	1,541	02/01/17	Ba2 / BB+	any time	MW+50
5.875% Sr Unsecured due '19	43.000	18.45%	1,458	02/01/19	Ba2 / BB+	any time	MW+50
Trailer Bridge (TRBR)							
9.25% Sr Secured due '11	83.000	16.60%	1,461	11/15/11	B3 / B-	11/28/08	104.625
Ultrapetrol Limited (ULTR)							
9% 1St Mortgage due '14	72.000	16.47%	1,350	11/24/14	B2 / B	11/24/09	104.500

SUPPLY VESSELS							
Gulfmark Offshore (GMRK)							
7.75% Sr Unsecured due '14	75.500	14.15%	1,125	07/15/14	B1 / BB-	07/15/09	103.875
Hornbeck Offshore Services (HOS)							
6.125% Senior Notes due '14	65.000	15.13%	1,215	12/01/14	Ba3 / BB-	12/01/09	103.063
Seabulk International (SBLK)							
9.5% Senior Notes due '13	103.000	8.26%	635	08/15/13	Ba1 / BBB-	11/28/08	104.750
7.2% Senior Notes due '09	101.000	5.99%	464	09/15/09	Ba1 / BBB-	any time	
5.875% Senior Notes due '12	83.000	11.38%	904	10/01/12	Ba1 / BBB-	any time	

US Bonds con't

	Offer Price	YTW	STW	Maturity	Ratings	Call Date	Call Price
TANKERS							
Berlian Laju Tanker							
7.5% Senior Notes due '14	25.000	45.64%	4,279	05/15/14	- / CCC+	05/15/12	103.750
Golden State Petro (GOLDEN)							
8.04% 1St Mortgage due '19	105.130	7.32%	350	02/01/19	Baa2 / BBB	any time	MW+37.5
Overseas Shipholding Group (OSG)							
8.75% Debentures due '13	97.000	9.51%	675	12/01/13	Ba1 / BB	any time	MW
7.5% Sr Unsecured due '24	75.000	10.89%	698	02/15/24	Ba1 / BB	NC	NC
Titan Petrochemicals (TITAN)							
8.5% Senior Notes due '12	19.000	82.15%	8,003	03/18/12	Caa2 / CCC+	any time	MW+100
Teekay Shipping (TK)							
8.875% Senior Notes due '11	98.000	9.72%	786	07/15/11	Ba3 / BB	any time	MW+50
US Shipping Partners (USS)							
13% Sr Secured due '14	30.000	51.97%	4,905	08/15/14	Ca / CC	02/15/11	106.500

My three main rules in a bear market: Get to Net Cash. Get cash flow positive and have pricing power. Just the fact that all these companies have debt ratings suggests they are net debt. Do they have pricing power?

These are impossible economic conditions, but made all the more so for companies with debt and no pricing power.”

Another market commentator suggested that the value of debt should improve before the value of equity, provided things get better. With respect to debt, his focus would be on asset coverage and debt rollover/re-financing risk. And, of course, this all depends on the investors’ tolerance for risk and need for returns.

Finally a wise investor reminded us that the focus today should not be on returns but the return of capital.

We would like to take the opportunity to thank Jefferies and NRP for generously sharing their data.

Dead Cat Bounce

A “dead cat bounce” is a figurative term used by traders in the finance industry to describe a pattern wherein a spectacular decline in the price of a stock is immediately followed by a moderate and temporary rise before resuming its downward movement, with the connotation that the rise was not an indication of improving circumstances in the fundamen-

als of the stock. It is derived from the notion that “even a dead cat will bounce if it falls from a great height”. (Wikipedia)

This concept was brought to mind by the recent activity in dry bulk stocks where heavy volumes have been traded and prices have taken substantial leaps in percentage terms. Have the shares bottomed? Or as **Urs Dür** of **Lazard** suggests in more sophisticated terms: “...this most recent upturn in the names, with historically high trade volumes, may be based more on anticipation of an upturn than on clear evidence for a fundamental turn.”

Nonetheless, iron ore inventory continues to fall, and China’s imports are beginning to be sourced beyond India. Price negotiations with Brazil have begun and some analysts have begun to theorize that steel production may have bottomed. Even capesize rates have doubled, although they remain short of cash flow breakevens. Dead cat bounce or bottoming out? We certainly are not going to make a prediction. However, we do know for certain that sentiment can turn a market.

Christmas Sales – Everyone's cutting everything

Overheard over a beer with Johnny K

“OPEC's going to cut production by 2.2 million barrels a day starting next month, and what does the price of crude do, it falls again! This is just further proof that even if you own the soccer ball, if no

one wants to play soccer you always end up playing with yourself. That OPEC President Chakib Khelil said "If you are not surprised, then we have to do something about it." Given that this brings recent OPEC cuts to 4.2 million barrels a day which hasn't surprised anyone except OPEC, quite what they intend to do is not clear, perhaps bailing out the U.S. auto industry might help. Now that would be a surprise! I see the Federal Reserve got into the holiday sale spirit as well by cutting their target for a key interest rate to the lowest level on record and pledging to use "all available tools" to

combat this severe financial crisis and prolonged recession. Given the arrest last week of that pillar of the New York financial community Bernie Madoff and the slew of other recent arrests it would appear that most of the "available tools" are either indicted, sentenced or awaiting sentencing at the moment. I do hear that Macy's and J.C. Penny will be cutting a further 20% of already discounted prices in House wares and women's intimate apparel this weekend, which will be handy for the wife's Christmas present. House wares does include vacuum cleaners doesn't it?"



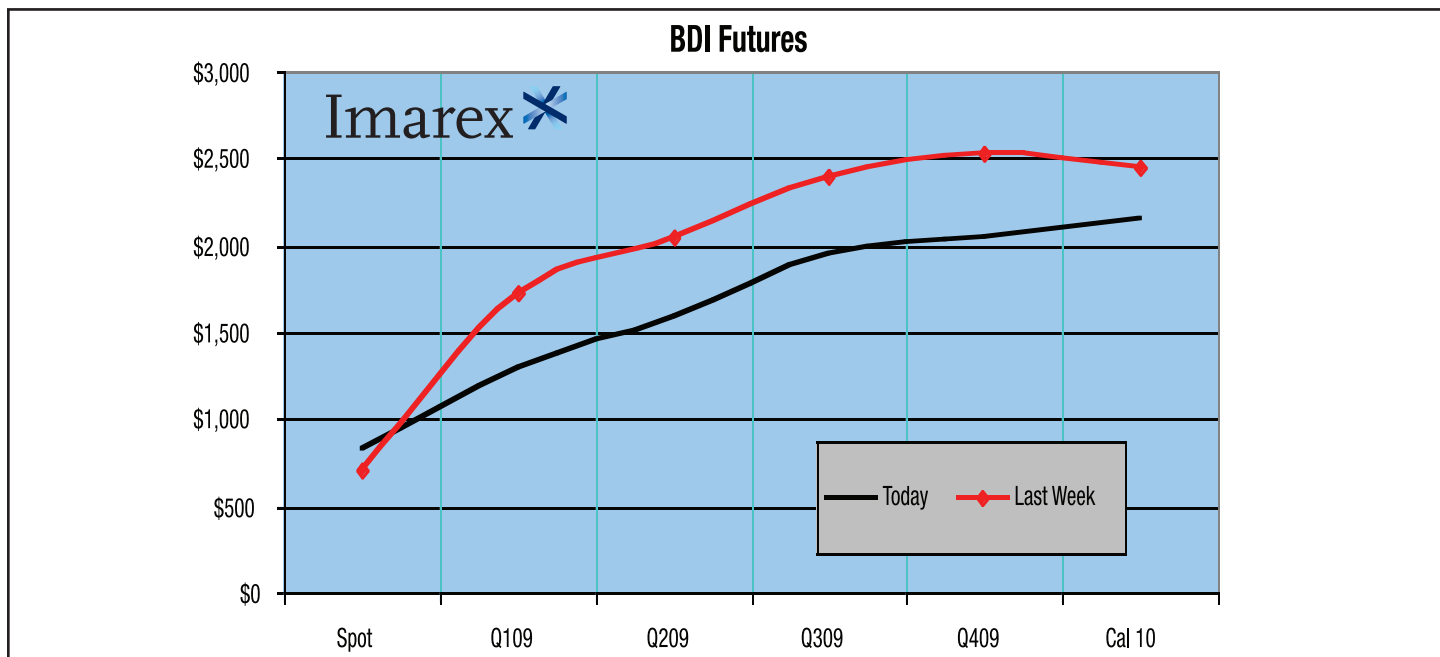
Happy Holidays!

As this is the last issue of Freshly Minted for the year, we would like to take the opportunity to thank our readers for their support throughout the year. We wish you all a very happy holiday season and a happy and healthy new year. We have intentionally omitted prosperous from our wishes this year in the hope of full employment instead. It must be that new Democratic administration. We look forward to serving you in 2009.

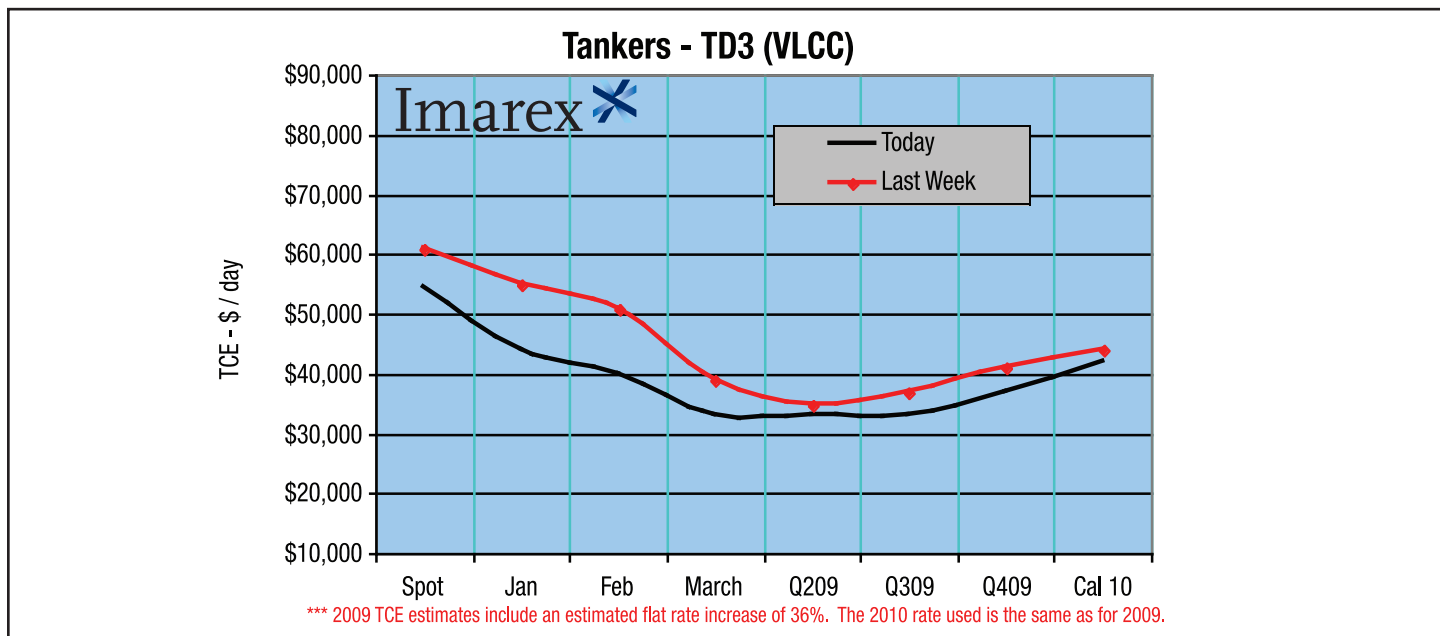
From The Marine Money Team

Back to the Futures

By Mike Reardon and Jeffrey Landsberg of Imarex Inc., Email: jsl@imarex.com



The spot market has lost a bit of its steam as the Capesize mini-rally has come to a temporary halt. Sentiment is mixed, however. There are some who feel the worst is behind us and that global reflation efforts by central banks will eventually take hold. The other side of that coin, though, advises caution. It seems we are not facing a simple recession. Demand for raw materials may take time, a long time, to resurface. The person who makes the pile of money in this market is the one that can tell us just when the worldwide slide will reverse course. Specific to dry bulk, today it has been reported that Atlas Shipping of Denmark has filed for bankruptcy. The fear in this sector has never been that one or two firms may not make it through the current storm, but that the contagion has the ability to spread like Crichton's *Andromeda Strain*. The "odd-sector" hypothesis clearly applies here.



The tanker story is not too different from that of last week. Rates are on a slow downtrend, though Owners returns remain decent. We have seen more VLCCs taken on for potential storage, with the total number now in the 15-25 range. This, however, has not yet translated into higher rates, as the supply of tonnage has been able to readily absorb the recent year end fixing flurry. The big news of the week was OPEC's major production cut – which, if implemented to its stated extent, is not good news for the tanker sector. It may take another month or so for reduced volumes to be seen, but the outlook for tankers in the first-half of next year is now dimmer. After the cartel made their announcement, the price of crude oil continued its descent, yet the share price of Frontline rose 6% in a counterintuitive move. We have learned that anything is possible in this sector, especially where Mr. Fredriksen is involved.



PHYSICALUPDATE

DEC 15, 2008

72 trip fixtures reported,
2 more than a week ago

13 period deals reported,
6 more than a week ago

The BDI has increased 14.5%
week-on-week; Capesize rates
have rebounded 198% from
\$2,763 to \$8,261/day

22 Indian ore fixtures reported
- 5 less than last week but well
above historical norms

14 vessels sold for scrap,
7 more than a week ago

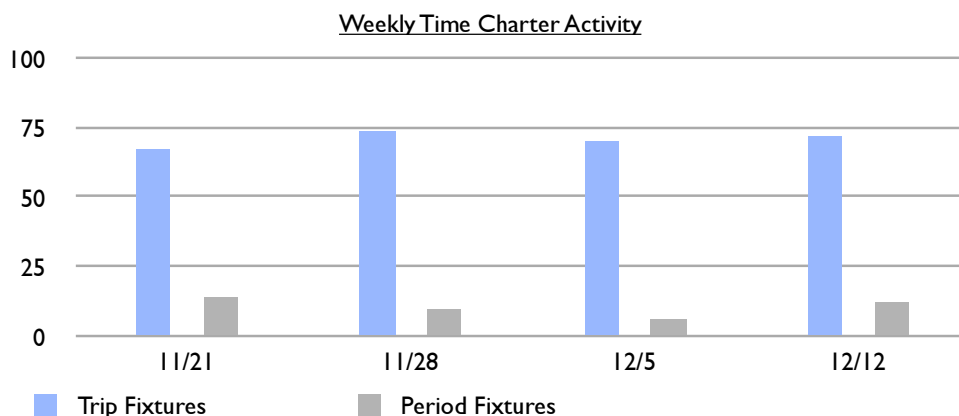
Scrap prices holding steady at
\$230 to \$285/ldt

Significant Increase in Period Activity

For the week ending December 12, overall chartering activity increased moderately compared to the previous week. 72 trip fixtures (2 more than last week) and 13 period deals (6 more than last week) were reported. Of the 13 period deals, 12 were for one year or more.

The Baltic Dry Index increased 101 points (14.5%) during the week, settling at 764. Capesize rates have seen an impressive 198% week-on-week rebound. Last Friday, Capes were averaging \$2,763/day. Today, Capes are averaging \$8,261/day.

The significant increase in period activity is a sign of confidence and access to capital returning to the dry bulk market. In the coming week, there is a chance freight rates for all vessel classes will increase.



Iron Ore Fixtures From India Still Strong

22 bulkers were fixed to ship Indian iron ore to China last week, 5 less than a week ago but still well above historical norms. This week, only Panamax and Supramax vessels were fixed to ship the ore.

Large Amount of Vessels Scrapped Last Week

14 dry bulk vessels were reportedly sold for scrap last week, 7 more than a week ago. The ships' ages ranged from 19 to 34 years old and included 7 Handysize, 5 Handymax, and 2 Panamax vessels. Scrap prices are holding steady at \$230 to \$285/ldt, on par with last week's scrap prices.

Deal Tables & Bond Prices

M&A and Joint Venture Deal Table

★ = New

✎ = Updated

✓ = For full analysis see Marine Money's Asia Edition

Acquirer, New Partners, or Parent Seller	Advisors	Amount (US\$ M)	Target / New Company	Comments
★ Northern Shipping Fund I LLC		\$112	Northern Navigation and MTMM JV	To invest and provide alternative finance in the maritime and offshore service sector
✎ General Maritime	UBS for GMR, Jefferies for ATB	\$283- \$300	Arlington Tankers	Stock-for-stock combo; 1 GMR share to receive 1.34 shares of new entity; 1 ATB share to receive 1 new share; Combined fleet of 31 tankers; Approved
Allco Finance Group	Citi		Allocean	53 ship fleet for sale with management as platform for non-strategic buyers
Cido Shipping	DnB NOR	Undisclosed	For Sale	Exploring strategic alternatives for product tanker fleet of 26 modern vessels and 23 newbuildings totaling 2,298,350 dwt
Stena Bulk		\$250	35% in Paradise Tankers	Full commercial control of fleet of 3 newly-built Panamax tankers and 2 bulk carriers
George Economou		\$45	TOP Ships	Short term exclusivity agreement extended to October 22/08 to explore acquisition for \$3/share; Rejected
Hapag-Lloyd	Lazard, Citi, Deutsche, Greenhill, HSH; JP Morgan for NOL as potential buyer	\$5,900	For Sale	Albert Ballin consortium: City of Hamburg, Klaus-Michael Kuhne, HSH Nordbank, MM Warburg, Signal Iduna, Hanse Merkur
DryShips		\$690	9 Capesize vessels, 2 UDW Drillships	Payable in the form of 19.4 m new DRYs shares at \$35.50 each
✓ Goldman Sachs			Yamamoto Kayun	Full acquisition of Japanese shipowner

Bond Deal Table

★ = New

✎ = Updated

✓ = For full analysis see Marine Money's Asia Edition

Borrower	Arrangers / Advisors	Amount (US\$ M)	Interest Rate	Maturity	Purpose / Remarks	Status
★ BD Ferries	Undisclosed syndicate of investment banks	\$140	6.21%	2012	Undisclosed	In Progress
★✓ Sinotrans Ltd		\$219	3.60%	2012	To fund construction of strategic logistics infrastructure projects in the Pearl River Delta, the Yangtze River Delta and the Bohai Bay area	In Progress
Noble Group	9 bank deal led by Goldman Sachs, Citi and SunTrust Robinson Humphrey	\$250	7.74%	2014	Senior unsecured notes to pay down \$183m including loans maturing in March	In Progress
Hanjin Shipping	Hana IB Securities, KB Investment, Korea Development Bank	\$169	7.00%	2011	Planned KRW 200bn bond sale	Early stages
IM Skaugen	Fearnley Fonds	\$35	10.50%	2011	To finance repurchase of existing bonds	Done
✓ Syarikat Borkos Shipping	Bank Muamalat Malaysia Bhd	\$108			Islamic medium term notes	In Progress
✓ Titan Shipyard Holdings		\$25	1.00%	2013	Convertible notes exchangeable for up to 5% of Titan Shipyard issued share capital	Done
Grupo TMM				2028	3rd tranche of Mexican Trust Certificates for vessel purchases	
Master Marine	DnB NOR	EUR 60	3 m EURIBOR +12%	2011	Senior secured 2nd priority pledge	Done
Trico Marine	Lazard	\$300	6.50%	2028	Senior convertible debentures	In Progress

Equity Deal Table

★ = New

✎ = Updated

✓ = For full analysis see Marine Money's Asia Edition

Issuer	Underwriters / Advisors	Amount (US\$ M)	Structure / Pricing / Comments	Status
✎✓ CSBC Corp	Fubon Securities and SinoPac Securities	\$145	Taiwanese govt sold 54% stake in the island's largest shipbuilder	Done
Ship Finance International	Merrill Lynch	Around \$87	7 million share offering at market price	Filed
Pareto			To launch distress fund	Announced
Safe Ship Investment Fund		\$200	Leo Polemis-led Distress Fund to launch in early 2009 to take advantage of expected increase in distress sales of ships	Announced
Oceanic Distressed Fund		\$200	Tufton Oceanic to launch new fund in 1Q09 to raise equity from private investors to take advantage of expected increase in distress sales of ships	Announced
Otto Marine	UOB, Credit Suisse	\$81	Listing of 2.4m shares at \$0.34 per share in Singapore	Priced
✓ Penguin International	Kim Eng Securities	\$10	Planning a rights issues	In Progress
✓ Hornbeck Offshore Services		\$500	Plans to renew papers to sell stock, preferred stock, debt securities and warrants for future acquisition opportunities	Announced
Yang Fan Group	Goldman Sachs		Planning a listing in Hong Kong in 1H09	In Progress
✓ Conbulk Corporation		\$262	Arcade SPAC to acquire fleet of 10 feeder service containerships	Early Stages
KS Energy	Kim Eng Securities	\$122	Proposing a 2 for 5 rights issue to enhance capital base and support business expansion	In Progress
✓ K-Sea Transportation	Lehman Brothers, RBC Capital Markets	\$57	2 million unit public offering with 300,000 share overallocation option; Net proceeds to pay off debt and fund construction of new vessels	Planned
Pacific Shipping Trust	UBS	\$92	Planning a non-renounceable preferential offering of new units	In Progress
✓ Paragon Shipping		\$250	Shelf registration to periodically issue common shares, preferred shares or other securities	Done

Restructuring Deal Table

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Company	Advisors	Banks	Comments
★ Atlas Shipping	Plesner Law firm, Kromann Reumert		Bankruptcy after inability to fulfill financial obligations due to current market conditions
★ C& Group		Woori Bank	C& Merchant Marine and C& Heavy Industries owner in talks to go into bank led administration
Britannia Bulk	BDO Stoy Hayward LLP	Lloyds TSB, Nordea	Joint-Administration
US Shipping Partners			Bank debt re-structured to provide a year's breathing room; Delisting from NYSE
Parkroad Corp		Shinhan Capital	Bankrupt South Korean dry bulk carrier transferred vessel operations to Sinokor Maritime
Industrial Carriers	Goyios & Nassikas		Bankruptcy filing in Pireaus

Bank Debt Deal Table

★ = New

📅 = Updated

✓ = For full analysis see Marine Money's Asia Edition

Borrower	Arrangers / Buyers	Amount (US\$ M)	Pricing / Purpose / Remarks
★ Pacific Drilling and Transocean	DnB NOR and Fortis as mlas	\$1,200	To help fund two drillships building in South Korea
★✓ Yang Ming Marine Transportation	13 banks including Mega International Commercial Bank, Taipei Fubon Commercial Bank	\$480	20 year loan
★✓ PetroVietnam Transportation	Citibank, Calyon, Fortis Bank, Societe Generale	\$175	13 year term loan
★✓ PetroVietnam Drilling Investment	ABN AMRO, ANZ, HSBC, OCBC, First Commercial, Far East National Bank, Land Bank of Taiwan	\$115	6 year amortising facility priced at L+300 bps for debt repayment and general corporate purposes
★✓ North China Shipping	DVB, SEB and HVB		To finance the acquisition of two VLCC newbuildings
✓ STX Europe	Nordea, Woori Bank	\$88	50/50 financing of credit facility for 3 years
✓ Jesper Investments	A syndicate of 6 banks	\$290	Refinancing of credit facility
White Dolphin Shipping	KfW IPEX as mla, Fortis	\$268	50/50 financing for 6x 2,500 TEU container ships being built by Volkswerft Stralsund for Fair Hope subsidiary
Hapag Lloyd	HVB, HSH Nordbank as mlas, DekaBank Girozentrale, Dresdner, KfW IPEX, RBS	\$750	5 year term loan to buy back a fleet of 29 containerships from parent TUI AG
OSG	ING, Fokus Bank, Fortis Bank of Belgium, Sumitomo Mitsui Banking Corp. and BNP Paribas and Nordea	\$500	To acquire 2 vessels to be converted to floating storage offloading service vessels with Euronav JV

Lease Deal Table

★ = New

📅 = Updated

✓ = For full analysis see Marine Money's Asia Edition

Lessee	Lessor(s)/Advisor(s)	Amount (US\$ M)	Structure / Pricing / Comments
★ China Huaneng Group	ICBC Leasing	About \$420	Sale and leaseback of 6x Supramax bulkers for 10 years
★ Berlian Laju Tankers	Jointly by DnB NOR Markets and R.S. Platou Finans	\$107.75	Sale leaseback for 2x chemical tankers for 12 years
Odfjell Group	nabCapital (National Australia Bank Limited)	\$32	Sale and 11 yr leaseback 40, 005 dwt tanker built in 2005
Pemex	Blue Marine/ ICP Capital	\$121	Sale and leaseback of 2x 40,000 dwt product tankers for 10 yrs with purchase options at end
✓ Woo Min Shipping	ABG Sundal Collier ASA	\$88	Sale and leaseback for 3x chemical tankers for 8 years
Golden Ocean Group	Undisclosed	\$65.30	10 yr sale and bareboatback of Q3 2009 newbuilding delivery; \$21,975/day, fixed price purchase option in 3 yrs and every year after until contract matures; \$40m option in 10 yrs
Wavefield Inseis	Norwegian Oilfield Services	\$144	Sale and 7 yr charterback for 1x 5,000-gt newbuilding; Arrangement includes 33.3% stake in NOS
Seadrill	Ship Finance International	\$1,700	Sale and leaseback of 2 ultra-deepwater semi-submersible rigs for 15 yrs
✓ Swiber Holdings	RS Platou Finans Shipping A.S., Atlantis Navigation A.S.	\$225	Sale and leaseback of 3x AHTS and 2x diving support vessels for 10 years
Exmar NV	ABG Sundall Collier KS	\$49.50	Sale of 25,000 cbm LPG vessel

Jefferies – High-Yield Shipping Bonds

	Offer Price	YTW	STW	Maturity	Ratings	Call Date	Call Price
SHIPPING							
CMA CGM (CMACG)							
5.5% Sr Unsecured due '12	37.000	41.81%	3,956	05/16/12	– / BB-	any time	MW+50
7.75% Senior Notes due '13	37.000	39.37%	3,809	02/01/13	– / BB-	02/01/09	107.250
Great Lakes Dredge&Dock (GREATL)							
7.75% Senior Notes due '13	77.000	14.37%	1,301	12/15/13	Caa1 / B-	01/20/09	103.875
Navios Maritime (BULK)							
9.5% Senior Notes due '14	58.500	22.43%	2,090	12/15/14	B3 / B+	12/15/10	104.750
Royal Caribbean Lines (RCL)							
8% Sr Unsecured due '10	88.410	17.70%	1,712	05/15/10	Ba1 / BB	NC	NC
8.75% Sr Unsecured due '11	75.000	24.60%	2,382	02/02/11	Ba1 / BB	NC	NC
7% Sr Unsecured due '13	52.500	25.32%	2,403	06/15/13	Ba1 / BB	NC	NC
6.875% Sr Unsecured due '13	53.500	23.15%	2,181	12/01/13	Ba1 / BB	NC	NC
5.625% Sr Unsecured due '14	45.000	26.46%	2,394	01/27/14	Ba1 / BB	NC	NC
Ship Finance International Ltd. (SHIPFI)							
8.5% Senior Notes due '13	73.000	16.69%	1,533	12/15/13	B1 / B+	01/19/09	104.250
Stena AB (STENA)							
7.5% Sr Unsecured due '13	68.500	17.35%	1,600	11/01/13	Ba2 / BB+	11/01/09	102.500
7% Sr Unsecured due '16	65.000	14.58%	1,271	12/01/16	Ba2 / BB+	12/01/09	103.500
6.125% Sr Unsecured due '17	44.000	20.62%	1,766	02/01/17	Ba2 / BB+	any time	MW+50
5.875% Sr Unsecured due '19	39.000	20.29%	1,730	02/01/19	Ba2 / BB+	any time	MW+50
Trailer Bridge (TRBR)							
9.25% Sr Secured due '11	78.000	19.53%	1,842	11/15/11	B3 / B-	01/20/09	104.625
Ultrapetrol Limited (ULTR)							
9% 1St Mortgage due '14	69.000	17.64%	1,612	11/24/14	B2 / B	11/24/09	104.500

SUPPLY VESSELS							
Gulfmark Offshore (GMRK)							
7.75% Sr Unsecured due '14	65.000	17.95%	1,647	07/15/14	B1 / BB-	07/15/09	103.875
Hornbeck Offshore Services (HOS)							
6.125% Senior Notes due '14	66.000	14.96%	1,343	12/01/14	Ba3 / BB-	12/01/09	103.063
Seabulk International (SBLK)							
9.5% Senior Notes due '13	92.250	11.70%	1,038	08/15/13	Ba1 / BBB-	01/20/09	104.750
7.2% Sr Unsecured due '09	100.000	7.18%	685	09/15/09	Ba1 / BBB-	any time	
5.875% Sr Unsecured due '12	82.000	11.93%	1,070	10/01/12	Ba1 / BBB-	any time	

Jefferies – High-Yield Shipping Bonds continued

	Offer Price	YTW	STW	Maturity	Ratings	Call Date	Call Price
TANKERS							
Berlian Laju Tanker							
7.5% Senior Notes due '14	26.000	44.90%	4,346	05/15/14	– / CCC+	05/15/12	103.750
Golden State Petro (GOLDEN)							
8.04% 1St Mortgage due '19	113.157	6.26%	405	02/01/19	Baa2 / BBB	any time	MW+37.5
Overseas Shipholding Group (OSG)							
8.75% Sr Unsecured due '13	79.000	14.90%	1,355	12/01/13	Ba1 / BB	any time	MW
7.5% Sr Unsecured due '24	68.000	12.17%	984	02/15/24	Ba1 / BB	NC	NC
Titan Petrochemicals (TITAN)							
8.5% Senior Notes due '12	23.000	73.60%	7,243	03/18/12	Caa2 / CCC+	any time	MW+100
Teekay Shipping (TK)							
8.875% Senior Notes due '11	84.000	16.80%	1,583	07/15/11	Ba3 / BB	any time	MW+50
US Shipping Partners (USS)							
13% Sr Secured due '14	30.000	52.52%	5,104	08/15/14	Ca / CC	02/15/11	106.500

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