THE SHIP FINANCE PUBLICATION OF RECORD

MARINE MONEY

FRESHLY MINTED

VOLUME 7

ISSUE 20

May 21, 2009

# The Week in Review

## INSIDE



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## Transparent We are Not

A good friend pointed out the other day that even in these days of transparency, there are differences in standards of disclosure. Last Friday, **DryShips** announced that it had reached agreement with **HSH Nordbank**, as agents, on waiver terms for $654 million of its outstanding debt. Then on Tuesday, the company announced that it had also come to terms with **DnB NOR** with respect to waivers on its $86 million facility. This was the total extent of the announcements. In the majority of cases, companies are far more open in disclosing to their shareholders both the terms of the waivers as well as the concessions made to obtain them. We acknowledge that **Mr. Economou**, with his multiple loan facilities and multitude of banks, is in a more difficult negotiating position and therefore prefers to play his cards close to his vest. Nonetheless, there is a duty of care to his shareholders who deserve to know the extent of his dealings with the banks and the possible impact it might have on the shares. The joining of the concepts of flexibility and standards is oxymoronic.

## Sign of the Times

Back in May 2007 as part of a diversification strategy, **Knightsbridge Tankers** ordered two 170,000 DWT Capesize vessels at **Daehan Shipbuilding** in South Korea for $162 million en bloc. The vessels are scheduled for delivery during the 3rd and 4th quarter of 2009. The company remains hopeful that the deliveries will be timely and in accordance with the contract as the shipyard is currently in restructuring talks with three local banks.

The vessels are fixed under time charters to **Shagang Steel** and **Sanko** for five years from delivery. Daily rates of $53,000 and $40,000 are indicated but not linked to a specific charterer.

As of this quarter, the company has paid $48.6 million in progress payments, of which $32.4 million is debt with the balance being equity. Despite the favorable contract price and quality charters, Knightsbridge is uncertain whether it can achieve what it deems to be the optimal level of debt for this transaction due to the state of the financial markets. So, pending clarification of the leverage obtainable, the company, taking a conservative stance, has decided not to distribute any dividend this quarter.

Clearly, the banks are still not there.

## Calling Jim Tisch

We are very fortunate to have Mr. **Jim Tisch** of **Loews Corporation** as a panelist during Marine Money Week. As the grayer heads among us may recall, Mr. Tisch gained notoriety in the early 1980s by buying laid up ULCCs, holding them and subsequently selling them at a substantial profit when demand returned in the mid 1980s. That was his first and last venture into shipping as far as we know. It should therefore not come as a surprise that he will be speaking on "A Return to Asset Play."

Based upon that success and his reputation as an astute investor, we pose the following opportunity for his thoughts.

**Pareto Shipping Projects** is currently circulating among its clients the following five Panamax container vessels on behalf of **MOL**. MOL is seeking indications of interest for these 14 year old vessels in excess of $10 million each, the price established by the sale of the 4,700 TEU M/V NYK Procyon to **Goldenport**. MOL believes the lesser specification of that vessel accounts for what they perceive to be its lower price. Pareto as brokers is suggesting a range of $10-12 million.

MOL MAAS / HYUNDAI DUBAI
========================
ABT 62,905 DWT ON 13.00M
BLT 1-95 / 5-95 I.H.I.
300.00M LOA, 283.00M LBP, 37.10M BEAM, NK
4953 TEU - 350 REEFER
Sulzer 59,606 BHP
24KTS

APL NINGBO / MOL THAMES
=======================
ABT 62,500 DWT ON 13.02M
BLT 4-95 / 7-90 KOYO DOCK K.K.
300.00M LOA, 283.00M LBP, 37.20M BEAM, NK
4723 TEU - 350 REEFER
B. & W. 59,600 BHP
24KTS ON 175TNS

APL CHIWAN
==========
ABT 63,440 DWT ON 13.00M
BLT 4-95 MITSUI S.B.
300.00M LOA, 283.00M LBP, 37.10M BEAM, NK
4708 TEU - 350 REEFER
B. & W. 59,600 BHP
24KTS

Targeting financial investors, Pareto makes it easy. Among their Norwegian clients, Pareto has found a potential co-investor who is experienced in the commercial and technical management of container vessels.

The opportunity as they see it is as follows. Last done in the chartering market for similar units was $6,700 per day, but Pareto does not believe the market is still there at those levels. So instead they propose that the investor consider 100% equity financing and the cold lay-up of the vessels, which they estimate will cost somewhere in the range of $1,500 to $2,500 per day per vessel. On the positive side, they remind everyone that similar vessels were valued at $55 to 60 million back in 2005/06. So, what do you think, Jim?

On a more serious note, this has important implications for the market and the banks. Reported first quarter losses for the liner companies have been significant. As an example, **Maersk Line**, incurred $559M in net losses in 1Q 09, from $80M in profits in the same period last year, as a result of a decline of 14% in freight volumes and a 24% reduction in average freight rates during the period.

For the moment, the Japanese have taken the lead and been the most proactive in responding to the crisis by putting vessels in the market for sale. The sale of this vintage raises cash to offset the heavy losses as well as avoids the necessity of expending monies for the third special survey. One might also go out on the limb and suggest that the fact that the sales focus on this size in particular shows a commitment to the larger sizes. On the other hand, one can easily argue that it is simply a supply/age issue in that particular segment.

For the bankers, this is not good news. A floor on values has been set for the moment requiring a further recalibration of LTVs.

## Life Is Interesting

In an interesting development in the **U.S. Shipping Partners** bankruptcy, **Paul Gridley**, the former Chairman and CEO, being one of the largest unsecured creditors ($977 thousand), was appointed last week, along with two others, to the committee of unsecured creditors.

If life were not difficult enough, he has Mr. **Hamish Norton** of **Jefferies,** the largest unsecured creditor ($2.25 million), looking over his shoulder seeking satisfaction.

With a former insider on board, negotiations between the parties should prove interesting.

## Another Path to Fund Growth

To better position itself to fund its capital expenditures from internally generated cash flow, **Omega Navigation Enterprises** ("Omega") announced the formation of a joint venture and the temporary suspension of dividends. Although it has commitments from the banks to provide 75% financing, the basis utilized is the lower of contract price or fair market value. The decline in values has created an equity shortfall that these steps will alleviate.

Building upon its extensive third party relationship with **Glencore International**, Omega has taken the relationship to the next level by forming a joint venture, which will acquire the first of two MR2 product/chemical tanker newbuildings built at **Hyundai Mipo Dockyard**, which the company acquired from an unrelated third party. The Omega Duke was delivered to the 50-50 joint venture at a price based upon its current valuation using previously secured bank financing and equity injected by both partners. The owners, in turn chartered the vessel to **ST Shipping**, an affiliate of Glencore at current market rates for five years with an excess profit arrangement. Omega has an option to put the second vessel in the same joint venture structure.

The decision to temporarily suspend dividends was not taken lightly and was done independently of any loan covenant requirements under which the company was in full compliance. Through the 1st quarter, the company had returned over $80 million to its shareholders in the form of dividends. By taking this step, the company gains liquidity and, together with the committed loans, gains the financial flexibility to continue with its growth plans in these uncertain times.

Finally, the company announced that it had further cemented the relationship by fixing the Omega Queen to ST Shipping on an evergreen basis subject to a two-month termination notice. The rate agreed is sufficient to cover operating expenses and debt service with a profit-sharing element included. Although the base rate is low, the company preferred to enter into this agreement, which provides steady cash flow, than operate the vessel unfixed in the spot market. On the other side, ST Shipping knows the markets and can move its own cargos likely generating better than market returns. And, should the markets get better, Omega can terminate the arrangement and fix at the new higher rates.

As **George Kassiotis**, President and CEO commented, "Omega has always taken the position that while we believe in generating value for shareholders through the payment of dividends, we should not do this at the expense of growing the Company.

We seek to optimize the management of our capital exposure, delever our balance sheet and create synergies, which will enhance our ability to preserve our position in the product tanker industry, fund our growth plans and take advantage of opportunities during challenging times."

## Simple Math

We have always been admirers of **Ship Finance International** and how the company carefully manages risk. With the latest step taken to manage their capital expenditures, they have, in our estimation, outdone themselves.

In its 1st quarter report, the company announced that it had reached an agreement with two shipyards to postpone the delivery of five small newbuilding container vessels by up to 18 months, with corresponding adjustments in the payment schedule to the yards. Following these adjustments, the Company's capital commitments relating to newbuildings and net sale proceeds are estimated as shown in the table below.

The investments in 2009 and 2010 include yard installments on two Suezmax tankers, which have previously been sold and will be delivered to the buyer upon delivery from the shipyard. Management's current estimate is that the delivery and subsequent sale of the two Suezmax tankers will take place in the fourth quarter of 2009 and first quarter of 2010, respectively. The buyer has deposited $33 million in cash for the vessels.

A glance at the chart shows that during the balance of 2009 and 2010, the company generates net proceeds of $41 million in excess of the necessary expenditures for that same period. And if set aside, these proceeds fall just $1 million short of the amounts required in 2011. In essence, the company is self-funding through 2011. It is not until 2012 that the company incurs a major expense and that is for $35 million. In the interim, the company will be generating substantial cash flow from its investments to cover that.

## Ship Finance Proformsa Capex ($ Millions)

| | 2Q-4Q 2009 | 2010 | 2011 | 2012 | Total |
|---|---|---|---|---|---|
| Gross Investments | 76 | 101 | 42 | 35 | 254 |
| Contracted Net Sale Proceeds | -109 | -109 | | | -218 |
| Net Investment | -33 | -8 | 42 | 35 | 36 |

As Kenny Rogers sings:

"You got to know when to hold 'em, know when to fold 'em.
Know when to walk away, and know when to run.
You never count your money, when you're sittin' at the table.
There'll be time enough for countin', when the dealin's done."

### Old Faces, New Places

Last week, Evercore Partners Inc. announced that Mark Friedman, formerly head of U.S. Transportation & Infrastructure at Merrill Lynch, joined the firm's advisory business as a Senior Managing Director and will co-lead Evercore's Transportation Practice. In addition to broad transportation responsibilities, Mr. Friedman will be charged with establishing and leading Evercore's new Shipping advisory business on a global basis.

Although it has an NASD license, Evercore has not been an active underwriter focusing instead on providing independent high quality advisory services to its clients. Mr. Friedman will bring his strategic focus to the shipping markets, which will be ripe for merger and restructuring activity as a consequence of declining asset values and cash flows that shipping companies are experiencing. We would expect that there will be opportunities for both financial and strategic players. And, in between major assignments, Evercore, due to its independence, is well positioned to provide the necessary fairness opinions required for transactions involving affiliates.

Together, Evercore and Mr. Friedman have a bright future. We wish them both well.

# Market Commentary

*Publisher's Note: We were very excited to receive a phone call a few weeks ago from Ethan Ram, who asked if he might contribute a timely article on raising equity, a subject near and dear to everyone's heart these days. How could we refuse? The following article is a superb précis of the techniques and issues involved. We hope you find it as informative as we did.*

### Alternatives for Raising Equity in Today's Market - Part I

**By Ethan Ram, DVB Capital Markets LLC**

The collapse of freight rates and asset values across most shipping sectors has put a premium on liquidity and access to capital. Today many publicly listed shipping companies are faced with depleted cash reserves, limited or no availability under debt lines, and, worse, debt covenant defaults, which threaten their viability as a going concern. Meantime, given the scarcity of debt, the better capitalized companies that hope to take advantage of the market downturn are faced with having to fund a significant portion of their acquisitions with equity. For those companies that are able, tapping the public markets for equity regardless of whether to raise "survival capital" or dry powder has been made more challenging by the increase in volatility and the sharp decrease in company valuations.

In the current volatile stock market environment, the window for raising equity can be short. As a result, a successful offering may be dependent on the speed at which a deal can be brought to the market and priced. Speed can be enhanced if the issuer has an effective shelf registration on file with the SEC. After the shelf registration has been reviewed and declared effective by the SEC, the company is free to make continuous offerings of securities over the following three years without further SEC review. This is in sharp contrast to a traditional follow on offering, which requires SEC review of the prospectus, a process that can take 3 weeks or more. With a shelf in place, a company has at its disposal several alternative methods for raising capital that may mitigate pricing volatility. These include an At the Market offering, or "ATM", an overnight offering, and a Wall Crossing. In this and the next edition of Freshly Minted we will provide an overview of these and several other offering alternatives.

#### Shelf Eligibility

First, it is important to note what determines eligibility for filing a shelf registration. In general, an issuer may file a shelf registration if it has a market capitalization of more than $75 million held by non-affiliates. Companies with a float of less than $75 million may file a shelf, provided it does not sell more than one-third of its float in any 12-month period. In practice this restriction may compel a company looking to raise a larger amount of capital to consider a traditional offering in lieu of or in addition to a takedown from their shelf. Given the sharp drop in market capitalizations and the typically high percentage of insider ownership, many shipping companies may be faced with this constraint today.

#### Why Not a Traditional Follow-on Offering?

To better understand the benefits of the alternatives, a few comments on the traditional offering method are necessary. A traditional follow-on offering involves a road show usually of at least one week, during which management meets with investors to present the company's business, its strategy, and to describe the offering. When the offering is announced, a company's shares will usually trade down due to the dilution related to the new share issuance. To the extent management is successful at communicating their "story" to investors, a road show will tend to result in share price improvement. As the road show progresses, the underwriters will collect potential orders, or "indications of interest", of a specified amount of stock at a certain price level. On the day of pricing at the end of the road show period, the bankers advise the company how much capital they can raise based on demand for the shares at various price levels, and the company will decide whether or not to price the offering.

In a stable or rising equity market, this process is appealing because it enables management to speak directly with a broad base of investors about their business. The ability to raise a large pool of capital at once more than offsets the offering costs to the firm, which consist of both the nominal costs including underwriting fees, legal and travel expenses, as well as the cost of management's time away from running the business. But in a volatile market as we have seen for the last several months, where the market may be down, say, 20% or more on a day, a marketed offering increase the likelihood that the company will have to price the offering at a significant discount to the price of the shares prior to commencement of the offering. Considering this volatility, it is not surprising that management and bankers have looked to alternatives to a traditional secondary for raising equity.

## At the Market Offerings

One offering method in vogue of late is the At the Market offering, or "ATM", a low cost, efficient and low profile mechanism for companies to raise capital. In an ATM, a company raises capital by selling incremental shares from time to time in the secondary market through a designated broker-dealer at prevailing market prices, rather than via a traditional underwritten offering of a single issue of a set number of shares at a fixed price. In a typical transaction, the CFO will send a sales order to the broker-dealer and specify an amount and even minimum price of the new shares to sell. Since orders are often executed over an ECN, or electronic communications network, the purchaser of the stock will not know that the shares they are buying are newly issued stock. The issuer will usually disclose the aggregate shares issued on a quarterly basis, although in some cases the volume of sales may be individually material and require immediate disclosure. The customary delay between issuance and disclosure makes it difficult for investors to determine how many shares are outstanding, which frequently results in putting a near-term cap on the company's stock price. Moreover, because there is no road show in tandem with the share issuance, there may be a hidden cost from not being able to communicate the company's story, and this cost will be disproportionately higher the larger the size of the equity offering.

The ATM has been highly popular among issuers across multiple industries. Perhaps most notable, Bank of America recently concluded an ATM program through which it raised $13.4 billion. According to Dealogic, there are currently 153 companies with ATM programs in place, 41 of which were implemented in 2009. As the table below illustrates, several shipping companies have actively used ATMs to raise equity, top among them Dry Ships, which has sold about 128.4 million shares thru ATMs since 2006, raising an estimated $1.3 billion in cash (pro forma for completion of its latest program of $475 million).

### ATM Issuance by Shipping Companies

| Issuer | Filing Date | Market Cap ($) on Filing Date | ATM Average Sales Price ($) | ATM Shares Sold | ATM Shares Remaining | ATM Shares Limit | ATM Value ($) Sold | ATM Value ($) Remaining | ATM Value ($) Limit | ATM % of Mkt Cap |
|---|---|---|---|---|---|---|---|---|---|---|
| DryShips Inc | 05/08/09 | 1,544,708,266 | | | | | | 475,000,000 | 475,000,000 | 31% |
| | 01/28/09 | 1,701,263,451 | 5.23 | 95,669,595 | | | 499,998,004 | | 500,000,000 | 29% |
| | 11/06/08 | 1,322,634,790 | 6.69 | 24,980,300 | | 25,000,000 | 167,098,222 | | 482,500,000 | 36% |
| | 10/21/08 | 1,132,280,954 | 20.24 | 2,069,700 | | 4,940,097 | 41,899,834 | | 122,613,207 | 11% |
| | 03/07/08 | 2,837,498,000 | 91.52 | 1,059,903 | | 6,000,000 | 96,999,990 | | 405,840,000 | 14% |
| | 05/10/06 | 354,914,000 | 12.15 | 4,650,000 | 350,000 | 5,000,000 | 56,499,999 | -6,300,000 | 50,199,999 | 14% |
| Paragon Shipping Inc | 04/15/09 | 136,819,143 | | | 10,000,000 | 10,000,000 | | 36,800,000 | 36,800,000 | 27% |
| Eagle Bulk Shipping Inc | 03/02/09 | 176,837,688 | | | | | | 100,000,000 | 100,000,000 | 57% |
| OceanFreight Inc | 06/19/08 | 406,049,664 | 13.05 | 4,000,000 | | 4,000,000 | 52,200,000 | | 99,120,000 | 24% |
| Ship Finance International Ltd | 12/08/08 | 788,665,559 | | | 7,000,000 | 7,000,000 | | 69,230,000 | 69,230,000 | 9% |
| Diana Shipping Inc | 04/23/08 | 2,221,581,250 | | | | | | 200,000,000 | 200,000,000 | 9% |
| Top Tankers Inc | 07/24/07 | 255,541,347 | | | | | | 50,000,000 | 50,000,000 | 20% |
| | 04/17/06 | 302,204,304 | 7.50 | 2,600,000 | | 2,600,000 | 19,500,000 | | 25,610,000 | 8% |
| Ship Finance International Ltd | 12/08/08 | 788,665,559 | | | 7,000,000 | 7,000,000 | | 69,230,000 | 69,230,000 | 9% |

*Source: Dealogic*

To use an ATM efficiently, a company's shares must trade in significant daily volume to mitigate downward pressure on the stock price each time the company takes shares off the shelf and sells them in the market. With a three-month average daily trading volume of 34 million shares, it is perhaps not surprising that DryShips has been a frequent ATM user.

Although in an ATM program capital is raised in smaller increments and may take several days or often weeks to complete, an ATM by definition removes the risk associated with pricing the offering on a single day. Popularity of ATMs may also be explained by the typically lower investment banking fees of 2-3% compared with 4-5% on a traditional secondary, and some companies cite the fact that not having to take time away from running the business to conduct a road show as a significant benefit. In addition, an ATM offering does not restrict the company from conducting other equity sales during the life of the ATM program, nor is there typically a lock-up period, which might prevent insiders from trading their shares. Given the cap on share price an ATM offering can impose, however, most companies opt not to rely exclusively on an ATM, but regard the ATM as a useful tool in the toolbox to be used when the situation warrants. In the cyclical business of shipping, where the prospect of attractive investment projects increases as asset values fall, an ATM offering can be an efficient way to raise long-term capital in a short amount of time. It makes sense, therefore, that eligible companies maintain a universal shelf giving them the flexibility to use an ATM, but, to avoid capping the near term upside on their share price, it is critical that the company communicate to investors in clear terms how and under what circumstances it will use the ATM.

### Wall Crossings

Another offering method that attempts to mitigate pricing volatility is referred to as a "Wall Crossing". A Wall Crossing is an overnight offering with confidential pre-marketing. As in a normal overnight offering, shares are offered via a supplement to the company's shelf registration after the closing of the market on one day and prior to the opening the following day (although sometimes the offering will extend into the next trading day). The obvious benefit of announcing an offering after market close and attempting to price

prior to the next day's opening is that it reduces the opportunity for investors to short the stock and drive the price down on word of the offering.

What makes a Wall Crossing different from a traditional overnight offering however is the addition of a confidential pre-marketing period prior to the offering. During the marketing period, the company will discuss the potential offering and disclose confidential information with select investors who have signed a confidentiality agreement which, among other things, restricts the investor from trading the stock until the information is disclosed to the public. Such material, non-public information might include a new investment project, details of a chartering agreement into which the company has entered, or an advance look at the company's quarterly earnings. The confidential marketing period typically lasts 2-3 days during which management will have conference calls and one-on-one meetings with the investors its has "brought over the wall" (via the confidentiality agreement). At close of market trading on the final day of confidential marketing the company will make public the information it had disclosed under the confidentiality agreement, and simultaneously announce the overnight offering. At this point the company will have built a book of orders from the wall crossed investors and may have investor interest lined up for more than 80% of the offering, the balance of which it may fill from demand from overnight investors.

Wall Crossings appeal because of the shorter marketing period and lower associated fees and expenses compared with a traditional secondary, but most importantly because it enables the company to gauge investor demand prior to announcing the offering. Should there be lackluster interest in the offering among the wall crossed investors, the company may either scale back the size of the offering or cancel it. This flexibility mitigates the downward pressure on its stock price that occurs on the announcement of the offering. Not only can the company wait for the right market conditions before announcing the deal, but pre-selling a significant portion of the offering provides a pricing floor when the balance of the offering is offered in the overnight market, helping among other things to fend off short sellers looking to profit on news of a dilutive event. All-in, recent Wall Crossings have helped keep the offering discount in check. Importantly, this discount is shared predominantly with the company's core investors (or wall crossed investors building a large position) rather than the quick money investors looking to profit solely on monetizing the offering discount.

Although it's not possible to track which of the following Overnight follow-on share offerings were Wall Crossings, the table below illustrates the significant amount of equity that has been raised by shipping companies year-to-date using the overnight method.

Although painful at today's share valuations, a share issuance may stimulate a rally despite the dilution for no other reason than because of the company's demonstrated ability to raise capital. The rally that occurred with DRYS shares following the completion of its $500 million ATM was an investor response to the apparent reduction of near term foreclosure risk. In a market where liquidity and access to capital is no longer taken for granted, shipping companies that are able to tap the market for capital will not only differentiate themselves from those that are not, they will affirm their ability to survive the market downturn to take advantage of the markets once they rebound. In our next installment we will cover further alternatives for issuing shares in the current market, including debt convertible into equity ("convertibles"), private investments in public equity ("PIPES") and Standby Equity Purchase Agreements ("SEPAs").

*Ethan Ram works for DVB Capital Markets LLC in New York and may be contacted at ethan.ram@dvbbank.com. Please note that the views expressed in this article are entirely those of the writer and are not intended to represent views, solicitations, or recommendations of, and have not necessarily been endorsed by, DVB Capital Markets LLC or its related entities.*

## Transportation Overnight Offerings 2009 YTD (as of 05/20/09)

| Pricing Date | Issuer Name | Market Value ($mm) | Deal Value ($mm) | Shares Offered ($mm) | Offer Price ($) | Last Trade before Filing | Last Trade before Offer | Change Price Initial / Offer | Change Price Offer / 1 Day | Change Price 1 Day / Current |
|---|---|---|---|---|---|---|---|---|---|---|
| 05/13/09 | Nordic American Tanker Shipping Ltd | 1,384.5 | 135.2 | 4.225 | 32.00 | 36.08 | 36.08 | -11.3% | -0.5% | 4.1% |
| 05/07/09 | Diana Shipping Inc | 1,501.3 | 101.1 | 6.000 | 16.85 | 18.52 | 18.52 | -9.0% | -3.3% | -1.2% |
| 05/05/09 | Navios Maritime Partners LP | 189.3 | 36.1 | 3.500 | 10.32 | 11.05 | 11.05 | -6.6% | -7.0% | -1.2% |
| 03/27/09 | DHT Maritime Inc | 230.2 | 40.9 | 9.392 | 4.35 | 4.77 | 4.77 | -8.8% | -4.6% | 20.2% |
| 03/25/09 | Teekay LNG Partners LP | 882.6 | 70.4 | 4.000 | 17.60 | 18.24 | 18.24 | -3.5% | -3.5% | 6.7% |
| 01/08/09 | Nordic American Tanker Shipping Ltd | 1,328.9 | 112.1 | 3.450 | 32.50 | 35.49 | 35.49 | -8.4% | 0.6% | 1.3% |

# 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 |
|---|---|---|---|---|
| ★ Omega Navigation | | | Glencore International | Form 50-50 JV to purchase Omega Duke which simultaneously entered into 5yr TC to Glencore affiliate, ST Shipping |
| Wilh. Wilhelmsen | | $78 | Glovis Logistics | Divestment of 5% shareholding to strengthen liquidity. WW to be left with 15% of company and a $40m gain. |
| World Nordic SE | | $392 | BW Gas | Offer to buy out minority shareholders' resulted in acquisition of additional 4.6% bringing total to 99.3%.Minority holders squeezed out under Bermudian law. |
| Teekay Corporation/ Merrill Lynch Commodities | | | Teekay LNG has option to participate | JV to convert vessel into floating LNG plant in Kitimat, BC. |
| Calulo Petrochemicals (15%), Adopt-A-School Foundation (10%) | | $28 | Grindrod South Africa (GSA) | Grindrod sells 25% of GSA to local business and charity as part of social responsibility obligation. Financed with seller credit. |
| Arcade SPAC/Conbulk | | $262 | 10 feeder containerships | Palmosa and Tsakos vessel deal cancelled |
| AP Moller-Maersk | | $567 | Brostrom | Ups stake to 96% with plans to initiate proceedings for remaining shares and de-list from OMX Nordic Exchange |
| Seacove Shipping, Greenbriar Equity Group | | $100 | Seacove Shipping Partners | New joint venture to pursue investments in shipping companies and assets |

## 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 |
|---|---|---|---|---|---|---|
| ★ Oceanteam | | NOK 90 | | | Working capital while re-structuring continues | |
| Color Group ASA | DnB NOR, Pareto | NOK 200 + 5.00% | NIBOR | 2011 | Working capital | Done |
| Cecon | | $10 | 25.00% | 2010 | Sr bond secured by 1st priority pledge of Davie Yards shares; To finance related equity purchase | In Progress |
| I. M. Skaugen | | NOK175 | NIBOR+ 6.00% | 2010 | Unsecured FRN. Repayment swapped to USD | Done |
| I. M. Skaugen | | $10 | LIBOR+ 6.00% | 2010 | Unsecured FRN. | Done |
| ✓ Daewoo Shipbuilding & Marine Engineering | | $361 | 6.00% | 2012 | To pay suppliers | Done |
| ✓ Samsung Heavy Industries | | $482 | 6.20% | 2012 | To finance investment projects and repay short term debt | Done |
| ✓ Hyundai Heavy Industries | | $224 | 5.40% | | Working capital | In Progress |
| ✓ Berlian Laju Tankers | Andalan Artha Advisindo Sekuritas and Danatama | $43 | | | Awaiting regulatory approval for debt issue worth up to IDR 500 bn | 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 |
|---|---|---|---|---|---|
| ★ | OceanFreight | YS Global Master SPV | $112 | Original agreement to use proceeds to repay $25 seller's credit was expanded to current size as volumes permitted. Additional proceeds to be used for acquisitions. | Done |
| ✍ | Nordic American Tanker Shipping | Morgan Stanley and DnB NOR, as co-manager | $130 | 4m common shares at $32 each; 600,000 share greenshoe; To fund further acquisitions under planning and general corporate purposes | Done |
| ★ | Pacific Basin | UBS AG | HK$762 ($97.8) | Fully underwritten sale of 174.7 million new shares at HK$4.36 each. Equity financing for expansion initiatives. | Priced |
| | DryShips | Merrill Lynch | $475 | $475m ATM equity offering, equating to approximately 47.5m shares; 3rd ATM equity offering since November | Announced |
| ✓ | Guangzhou Shipyard | | | Planning a rights issue to fund the acquisition of a shipyard from its state owned parent for up to USD 452 million | Cancelled |
| ✓ | Rongsheng Heavy Industries | Goldman Sachs | | Seeking a listing possibly in Hong Kong by end of 2009 | In Progress |
| ✓ | COSCO Group | | | Considering listing its tanker fleet in China | In Progress |
| | Diana Shipping | UBS | $101 | 6m common shares offered at $16.85 | Priced |
| | Navios Maritime Partners | Citi, JP Morgan, Merrill Lynch with S. Goldman Advisors and DVB as co-managers | $42 | 3.5m common units representing limited partnership interests priced at $10.32/share; Proceeds to fund fleet expansion and for general partnership purposes | Priced |

## Restructuring Deal Table

★ = New ✍ = Updated ✓ = For full analysis see Marine Money's Asia Edition

| | Company | Advisors | Banks | Comments |
|---|---|---|---|---|
| ★ | DryShips | | DnB NOR | Obtained waivers on facility covering 2 drybulk vessels. |
| ★ | DryShips | | HSH Nordbank | Obtained waivers on $654 million facility |
| | Eitzen | | | Pending approval from yard and guarantors Eitzen to sell 3 remaining newbuilding contracts to Laurin Marine. Reduces newbuilding commitments to $0. |
| | US Shipping Partners | Weil, Gotshal | CIBC, Lehman, KeyBank | Pre-arranged Chapter XI filing with $332m senior debt affirmed at reduced interest and $100m 2nd lien swapped for 50% equity. Senior lenders get balance of equity. |
| | Danaos Corporation | | | Delayed delivery of 5x8530 TEU by 200 days and 5x6,500 teu and 5x3,400 teu by one quarter. Remaining capex $465m in 2009, $875m in 2010 and $785 for 2011.CF and credit availability cover 2009 and part 2010. |
| | Seaspan | | | Negotiated options to defer deliveries of 15 newbuildings for up to 15 months.Temporarily reduced dividend to $0.10 reducing equity needs by approx $320m to $360m |
| | JP Morgan Asset Management | | | Distressed shipping fund seeking initial $500-$750m from institutions & high net worth individuals to acquire bulkers, tankers and container ships. |
| ✓ | Kanasashi Heavy Industries | | | Japanese shipyard filed for creditor protection |
| | Compania Sud Americana de Vapores | HSH Nordbank | | Announced plan to inject $750m of new capital into company via a capitalization (?) of charter party commitments (400m), a new rights issue (220m) and renegotiation of newbuilding contracts |

## Bank Debt Deal Table

★ = New ✍ = Updated ✓ = For full analysis see Marine Money's Asia Edition

| Borrower | Arrangers / Buyers | Amount (US$ M) | Pricing / Purpose / Remarks |
|---|---|---|---|
| Vinalines | Credit Suisse | Up to $600 | Credit Suisse has been mandated on a 5yr amortising facility |
| Cecon | Export Development Canada | $200 | Construction loan for Cecon's 3 newbuilds at Davie. 12 yr tenor post-delivery and secured by 1st mortgage. Contingent upon 20m equity issue and amendment of 2nd priority bond loan. |
| Odessa Terminal Holdco | European Bank for Reconstruction and Development | $37 | Partially finance CMA CGM-sponsored $130m project to construct new container terminal at Port of Odessa; EBRD will also take 5% equity stake. |
| GC Rieber Shipping | Handelsbanken | NOK250 ($37) | Agreement to extend existing undrawn credit facility from Dec 2009 through Dec 2011 |
| Euronav | Nordea, Calyon, SG, BoA, Scotiabank as mlas, Nordea, Calyon, SG as bookrunners | $300 | Partially finance 2 VLCC's: 2008-built 'Olympia' 2009 built 'Antarctica' and 4 Suezmaxes: Cap Felix (2008) Cap Theodora (2008) and 2 newbuildings delivering June and Nov 2009 |
| Wisdom Marine Lines | Mega International Commercial Bank | $170 | Mega Bank has been mandated by the Taiwanese bulk ship owner for a JPY16.26 billion financing |
| Contender Marine | Standard Chartered Bank | $21 | Re-financing part of the existing indebtedness of Contender Marine's parent company |
| Farstad Shipping | Eksportfinans ASA with DnB NOR, GIEK and Handelsbanken as guarantors | NOK 680 ($101) | To finance newbuilding CSV with 5 yr contract with Saipem. |
| James Fisher | Barclays Bank | $36 | For further expansion opportunities |
| Danaos Corporation | Deutsche Schiffsbank | $299 | Primarily to fund newbuildings. |

## 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 |
|---|---|---|---|
| Eitzen Chemical | Platou Finance | $51 | Sale and 5yr bareboat-back of 2007 built 46,200dwt tanker at $15,500/day. |
| Teekay Shipping | Fairsky Shipping | $114 | Sale and long term charterback of 2x114,830dwt tankers built in 2005 |
| Swiber Offshore Marine | Swiber Holdings/ICON Capital | $42.50 | Partial sale and leaseback of a 300 men accomodation work barge for 3 years |
| Hoegh Autoliners | Marenave Schiffharts AG | $95 | Sale and 10 yr bareboat back of 2005 built car carrier at $32,150/day; Lessee option for 3 yr extension at $35,700/day |
| A top ten liner company | TAL International | $80 | Purchase-leaseback in 4Q of 53,000 teu of in-service equipment on LTL. |
| Ship Finance International | Golden Ocean | $160 | Cancelled sale-lease-back with GOGL for 2 x capesize newbuildings |
| Overseas Shipholding Group | | $64.50 | Sale and bareboat back of 2008 built Aframax tanker (Everglades) for 12 years with purchase options |
| Overseas Shipholding Group | | $65.60 | Sale and bareboat back of 2008 built LR1 product carrier (Palawan) for 12 years with purchase options |
| ✓ Dong Fang International Investment Limited | DCM Deutsche Capital Management, arranged by DVB Bank | Undisclosed | Sale and manage-back of a fleet of 38,983 CEU of containers |
| China Huaneng Group | ICBC Leasing | About $420 | Sale and leaseback of 6x Supramax bulkers for 10 years |

## 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 | 59.000 | 26.19% | 2,447 | 05/16/12 | – / BB- | any time | MW+50 |
| 7.25% Sr Unsecured due '13 | 38.500 | 40.99% | 3,935 | 02/01/13 | – / BB- | 02/01/10 | 103.625 |
| **Great Lakes Dredge&Dock (GREATL)** | | | | | | | |
| 7.75% Senior Notes due '13 | 85.000 | 12.13% | 1,015 | 12/15/13 | Caa1 / B- | 06/22/09 | 103.875 |
| **Excel Maritime (EXM)** | | | | | | | |
| 1.875% Sr Unsecured due '27 | 35.000 | 24.01% | 2,171 | 10/15/27 | – / – | 10/22/14 | 100.000 |
| **Horizon Lines (HRZ)** | | | | | | | |
| 4.25% Sr Unsecured due '12 | 62.000 | 21.10% | 1,965 | 08/15/12 | Caa1 / B- | | |
| **Navios Maritime (NAVIOS)** | | | | | | | |
| 9.5% Senior Notes due '14 | 75.250 | 16.47% | 1,411 | 12/15/14 | B3 / B+ | 12/15/10 | 104.750 |
| **Royal Caribbean Lines (RCL)** | | | | | | | |
| 8% Sr Unsecured due '10 | 100.837 | 7.08% | 665 | 05/15/10 | Ba2 / BB- | | |
| 8.75% Sr Unsecured due '11 | 98.367 | 9.81% | 906 | 02/02/11 | Ba2 / BB- | | |
| 7% Sr Unsecured due '13 | 85.000 | 11.76% | 997 | 06/15/13 | Ba2 / BB- | | |
| 6.875% Sr Unsecured due '13 | 82.624 | 11.97% | 1,000 | 12/01/13 | Ba2 / BB- | | |
| 5.625% Sr Unsecured due '14 | 71.500 | 14.40% | 1,199 | 01/27/14 | Ba2 / BB- | | |
| 7.25% Sr Unsecured due '16 | 73.750 | 13.06% | 1,019 | 06/15/16 | Ba2 / BB- | | |
| 7.25% Sr Unsecured due '18 | 73.225 | 12.31% | 915 | 03/15/18 | Ba2 / BB- | | |
| 7.5% Sr Unsecured due '27 | 60.125 | 13.37% | 962 | 10/15/27 | Ba2 / BB- | | |
| **Ship Finance International Ltd. (SHIPFI)** | | | | | | | |
| 8.5% Senior Notes due '13 | 76.000 | 16.14% | 1,416 | 12/15/13 | B1 / B+ | 06/22/09 | 104.250 |
| **Stena AB (STENA)** | | | | | | | |
| 7.5% Sr Unsecured due '13 | 81.000 | 13.31% | 1,137 | 11/01/13 | Ba2 / BB+ | 11/01/09 | 102.500 |
| 7% Sr Unsecured due '16 | 76.000 | 11.93% | 898 | 12/01/16 | Ba2 / BB+ | 12/01/09 | 103.500 |
| 6.125% Sr Unsecured due '17 | 67.000 | 13.05% | 988 | 02/01/17 | Ba2 / BB+ | any time | MW+50 |
| 5.875% Sr Unsecured due '19 | 64.000 | 12.35% | 897 | 02/01/19 | Ba2 / BB+ | any time | MW+50 |
| **Trailer Bridge (TRBR)** | | | | | | | |
| 9.25% Sr Secured due '11 | 82.000 | 19.28% | 1,816 | 11/15/11 | B3 / B- | 06/22/09 | 104.625 |
| **Ultrapetrol Limited (ULTR)** | | | | | | | |
| 9% 1St Mortgage due '14 | 67.000 | 18.92% | 1,658 | 11/24/14 | B2 / B | 11/24/09 | 104.500 |

## 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 | 33.500 | 38.47% | 3,632 | 05/15/14 | – / CCC+ | 05/15/12 | 103.750 |
| **Golden State Petro (GOLDEN)** | | | | | | | |
| 8.04% 1St Mortgage due '19 | 99.600 | 8.10% | 479 | 02/01/19 | Baa2 / BBB | any time | MW+37.5 |
| **Overseas Shipholding Group (OSG)** | | | | | | | |
| 8.75% Sr Unsecured due '13 | 93.500 | 10.60% | 863 | 12/01/13 | Ba1 / BB | any time | MW |
| 7.5% Sr Unsecured due '24 | 71.000 | 11.67% | 809 | 02/15/24 | Ba1 / BB | NC | NC |
| **Titan Petrochemicals (TITAN)** | | | | | | | |
| 8.5% Senior Notes due '12 | 14.000 | 117.09% | 11,582 | 03/18/12 | Caa2 / CCC- | any time | MW+100 |
| **Teekay Shipping (TK)** | | | | | | | |
| 8.875% Senior Notes due '11 | 99.000 | 9.39% | 844 | 07/15/11 | B1 / BB | any time | MW+50 |
| **US Shipping Partners (USS)** | | | | | | | |
| 13% Sr Secured due '14 | 20.000 | 75.17% | 7,293 | 08/15/14 | WR / NR | 02/15/11 | 106.500 |

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