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# The Week in Review

Whether you are a lawyer in London, a capital consumer in Kifisia, a banker on a BlackBerry or an industrial commodity producer, shipping and ship financing are in the process of a very powerful change - and it will affect you personally and professionally.

Risk management is changing.

Business models are changing.

Economics are changing.

Valuations are changing.

Capital formation is changing.

Demand is changing.

Supply is changing.

Vessel owners are changing.

Lenders are changing.

Investors are changing.

The only thing we know for sure is that history may no longer be our guide.

Our 22nd annual Marine Money Week, June 23-25 at The Pierre Hotel, New York City, the world's largest international ship financing gathering, is the most powerful opportunity of the year to determine what is happening in our marketplace - and help you position yourself for continued success in the future.

A unique combination of debt providers from dozens of countries, to the world's leading shipowners and charterers to the deepest pool of retail and institutional equity on the planet, Marine Money Week is the only forum in the world in which all of the voices come together to form the chorus that defines our industry today - and tomorrow.

Please follow the link below to our website to learn more on all aspects of the event and to register:

<http://www.marinemoney.com/forums/MMWeek09/mmmweek2009.html>

We hope that you will join us.

Next Thursday, June 11, approximately 300 of the most active members of the offshore finance community will gather in Oslo for Marine Money's 11th Annual Norway Ship & Offshore Finance Forum.

We invite you to view the current delegate list, review the conference program and make this valuable event even better, by joining us next week.

To request the delegate list, simply respond to Andrea Farrison at [afarrison@marinemoney.com](mailto:afarrison@marinemoney.com)

To view the program and/or to register, if you have not done so already, please visit:

<http://www.marinemoney.com/forums/NO09/oslo2009.html>

## Has Mr. Fredriksen Tapped Out the Banks?

On Tuesday, **Seadrill** announced that it had secured commitments for a senior secured credit facility in the amount \$1.5 billion from a group of commercial lending institutions and export credit agencies.

The proceeds will be used to refinance the existing \$1.0 billion bridge loan facility with the excess, a mere \$500 million, to be utilized for general corporate purposes. The facility will be secured by 1st priority mortgages on two ultra-deepwater semi-submersible drilling rigs, one deepwater drillship and one jack-up rig.

While the size of the loan is extraordinary, risk, as you might expect, was carefully managed. In the chart herein, we more fully describe the assets and their employment status. Looking at the total package, the banks carefully chose their collateral package. The rigs were all built in 2008 except for the new delivery and are of the latest generation. Moreover, they are all employed on long-term contracts to major and national oil companies at very favorable rates.

The term of the facility is five years, with an amortization schedule based upon 8.5 years. For the period, cash flows



**Loan Collateral**

Rig	Type	Built	Operator	Start	Expires	Dayrate
West Aquarius	SS	2009	Exxon	Feb-09	Feb-13	\$529,500
West Sirius	SS	2008	Devon	Jul-08	Jul-14	\$473,000
West Capella	DS	2008	Total	Mar-09	Mar-14	\$546,000
West Ariel	JU	2008	VSP	Jan-09	Jan-10	\$194,000

remain highly visible as the charters for the most expensive rigs run through 2013/14. As evidence of **Mr. Fredriksen's** standing, the loan is governed by standard Seadrill rather than standard bank covenants.

Yes folks, there is money out there, at least, if you are Mr. Fredriksen. Hopefully, he has left some for you now that Seadrill's investment program is fully funded.

**DOF Bond**

Despite increasing default rates, corporate issuance of bonds in the primary market has been increasing in Norway and this activity has been extended to high yield, which now represents about 5% of total corporate issuance. For perspective, total issuance of corporates year to date amounts to NOK 19.2 billion compared to NOK 14.6 billion for the full year 2008.

This week **Nordea Markets** and **Pareto Securities** brought to market a 2-year senior secured floating rate note for **DOF ASA**, a leading offshore company, which operates 70 vessels. The notes bear interest at NIBOR + 9% and are secured by a first priority pledge in the shares of **Norskan AS**, DOF's Brazilian subsidiary. Norskan owns 12 vessels all of which operate in Brazil with top-rated blue chip counterparties. The pledge provides strong collateral coverage as the outstanding amount under the issuance represents less than 50% of the NAV of the pledged assets. More details on the structure are contained here in the Guts of the Deal table.

While the high pricing, security (one of the few secured issues in the offshore space) and tenor make an attractive package to investors, particularly to current bond holders, the transaction remains a somewhat costly exercise for the company and is indicative of the cost of liquidity these days. Proceeds will be used to redeem existing

**Guts Of the Deal - DOF ASA**

Issuer	DOF ASA
Amount	Minimum NOK 300 million
Notes Offered	Senior Secured Floating Rate Notes
Issue Price	100%
Coupon	3M NIBOR + 9.00%
Maturity Date	10-Jun-2011
Amortization	Bullet
Optional Redemption	N/A
Guarantees	None
Ranking	Senior Secured
Security	1st Priority Pledge of Norskan AS shares. NAV to equal 225% of loan amount
Undertakings	DOF to maintain at least 51% ownership in Norskan. No additional indebtedness or financial support with respect to Norskan.
Restrictive Covenants	Value adjusted equity > 25% or 20% if contractual coverage is higher than 70%. Minimum liquidity of NOK 200MM. NAV of pledged shares > 125% of outstanding bond issue
Use of Proceeds	To refinance existing debt and for general corporate purposes
Shadow Credit Ratings	Nordea:BB-/B; Pareto B+/B
Number of Vessels	70 vessels including 24 newbuilds (23 PSVs, 21 AHTS's & 26 CSVs)
Annual EBITDA	NOK 1,319 million
Arrangers	Nordea Markets and Pareto Securities
Governing Law	Norwegian Law
Incorporation	Norway
Listing	Oslo Bors
Trustee	Norsk Tillitsman ASA
Ticker	To be applied for

bonds in an exchange offer, which will push out the maturity of the debt if accepted.

Nordea and Pareto provide slightly different shadow credit ratings on the company. Pareto ranks it a B+/B and Nordea a slightly higher BB-/B. As dissected by **Oyvind Hamre** of Pareto and **Lars Kirkeby** of Nordea, DOF's rating reflects strong contract coverage with strong counterparties as well as its strong market position, generally, together with the company's niche play in Brazil. On the other hand, credit metrics are strained by high debt levels related to the newbuilding program. Although EBITDA is strong, free cash flow is negatively impacted by DOF's capex program. Interestingly the analysts differ on the market outlook. Mr. Hamre sees the market as supportive driven by a significant increase in deepwater drilling driving demand for new and more capable vessels. Mr. Kirkeby highlights fluctuating demand and supply conditions and the consequential volatility of charter rates.

Our conclusion is that funding is available not only to the rich and famous such as Mr. Fredriksen but also to those who are willing to pay up. In all cases, the deals will be highly structured to mitigate risk.

### Differentiating Lenders

Just as banks need to know their clients, borrowers also need to evaluate their lenders. Further to an earlier announcement **Rickmers Maritime** announced last Friday that one of its lending banks has continued to invoke the market disruption clause in one of its loans. This action reflects the bank's belief that LIBOR does not accurately reflect its cost of funding and has no relation on the creditworthiness of the borrower. The net effect, an increase in interest cost of

approximately \$37,500 for the current fixing period is not material but it is telling that none of Rickmer's other nine banks have invoked the clause.

### DRYS Cancels

Yesterday, **DryShips** announced that it had entered into an agreement to cancel Hull 2089, a Capesize vessel under construction in South Korea. The vessel was contracted for \$114 million. Under the terms of the agreements, DryShips will pay a total cancellation penalty of \$42.8 million inclusive of its previously paid 20% deposit. The company will end up paying an incremental \$20 million and benefits from a reduction of \$71.2 million in 2009 capex.

In these days of looking simply at cutting costs, the deal seemed to provide a reasonable trade-off. However, **Natasha Boyden** of **Cantor Fitzgerald** looked at the bigger picture. "While the contract price of the newbuild was above the current market value of the ship, in our opinion, we suggest that the opportunity cost of the cancellation fee makes this a neutral transaction, given that prompt modern Capesize tonnage is valued around \$70 million (according to **Compass Maritime Services**). However, given the current strength in the Capesize market and the fact the vessel was expected to be delivered this month, we suggest management could have fixed the ship under an attractive period charter upon delivery."

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## Market Commentary

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### Deep Science or Voodoo

Last week Dennis Berman, in an article entitled "One Key Number in Pricing a Deal: the 52-Week High,"<sup>1</sup> laid bare the science of pricing an M&A deal. He reported on a study by Harvard Business School's Malcolm Baker *et. al.*, which concluded that psychology plays a major role in pricing deals. "In particular, it is one number, the 52-week high for a company's stock, that matters most...The 52-week high stock price has always had a fetishistic role in merger discussions. By custom, boards are insulted if a merger offer doesn't breach this price level. Banker presentations focus on whether an offer is greater or lower than the 52-week high."

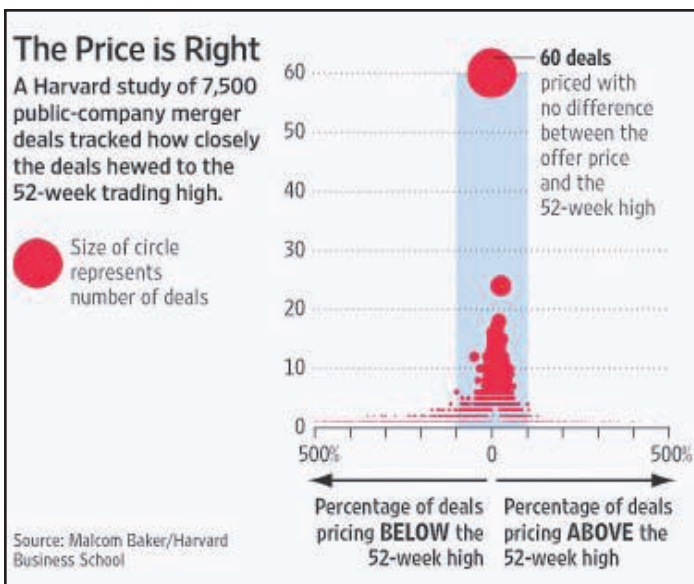
So, although one would expect pricing of transactions to vary widely depending on the methodologies and assumptions used to calcu-

late the future value of the target, they do not. In analyzing 7,500 transactions from 1984 to 2007, the authors of the study determined that the data, in fact, is not widely distributed but is closely correlated to the 52-week high. Specifically, they noted that more deals priced at exactly the 52-week high than at any other price and about 60% of the transactions price above that marker. Six Sigma Greenbelts rejoice.

In short, rationality is displaced in favor of psychological anchors or "arbitrary and emotional points of concentration." As these transactions are so large and important, this certainly appears unexpected and counterintuitive. Dr. Baker's comment is somewhat discomfiting. "My sense is that a reasonable number of deals get worked out on broad brush terms. Valuation terms are filled in afterward."

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<sup>1</sup> Dennis K. Berman, *One Key Number in Pricing a Deal: The 52-Week High*, Wall Street Journal, 26 May 2008



The import of this statistical analysis lies not with history but what it means for the future. As Mr. Berman points out, “current 52-week highs still capture a period before the great panic of September and October, which pushed the Standard & Poor’s 500 index down 30%. By this October, those 52-week highs will have flipped to far lower levels, resetting the anchor points for both buyers and sellers.” Clearly, sellers must try to take advantage of this window of opportunity before it shuts. On the other hand buyers, armed with the same knowledge, will be in no hurry to pursue a deal. Sounds like a quiet summer unless the bankers ignore the data and unleash all their analytic tools and make convincing cases for true value to both buyers and sellers.

In the rarified world of Marine Money and in deference to our chairman, we would never dare denigrate the hard work of our investment banking friends so we should be politically correct and attribute the conclusion to what must be a statistical anomaly.

**Out of Favor**

Last week, The Wall Street Journal provided another indicator of the shipping slump when they announced the Best on the Street analysts for 2008. Unlike last year, our shipping analysts were conspicuously absent, although the number three slot was taken by Jim Corridore of Standard & Poors, who had rated **Horizon Lines** a sell during the period in October when the shares fell 77%.

We would however be remiss if we did not mention that **Ole Slorer** of **Morgan Stanley** finished fourth in the Oil Equipment, Service & Distribution category. This was his second appearance making him the only repeat performer in that category. Congratulations Ole!

**Misperception**

We have recently been criticized for our recent coverage of **DryShips** and it may be deserved. Rightly or wrongly, we have viewed the purchase of shares as an investment and expect a duty of care by management. But what if we have it wrong. We recently heard a story about a tradesman who by his own admission knows little about shipping but has done extremely well in the market by alternately buying and shorting DryShips. If it is just a trade, **Mr. Economou** has provided the market with an ideal vehicle.

Mr. Economou has always been ahead of the curve and understands the market, market psychology and the proper roles and uses of paper and hard assets. He has successfully tapped the markets for an extraordinary amount of equity understanding the strong underlying demand from traders. And we, too, are slowly coming around to the view that buy and hold may very well be for dummies. Accordingly, any criticism of management would be both unwarranted and irrelevant.

**Who are the Winners in Bankruptcy?**

The following list was extracted from the Notice of Filing of Updated Master Service List filed on May 26th by the counsel to **U.S. Shipping Partners L.P.**:

Chapter XI is a wonderful process. You need to restructure because you can’t meet your obligations and yet somehow you have to borrow money to pay the lawyers to get through it.

On the back of an envelope we calculated the following:

2 lawyers per firm X \$400/hr (reduced rate per trustee) X 10 firms = \$8,000/billable hour. What the total hours will be we have no idea, but we can confirm that since the company filed on April 29, there have been three hearings and 106 documents filed on the docket.

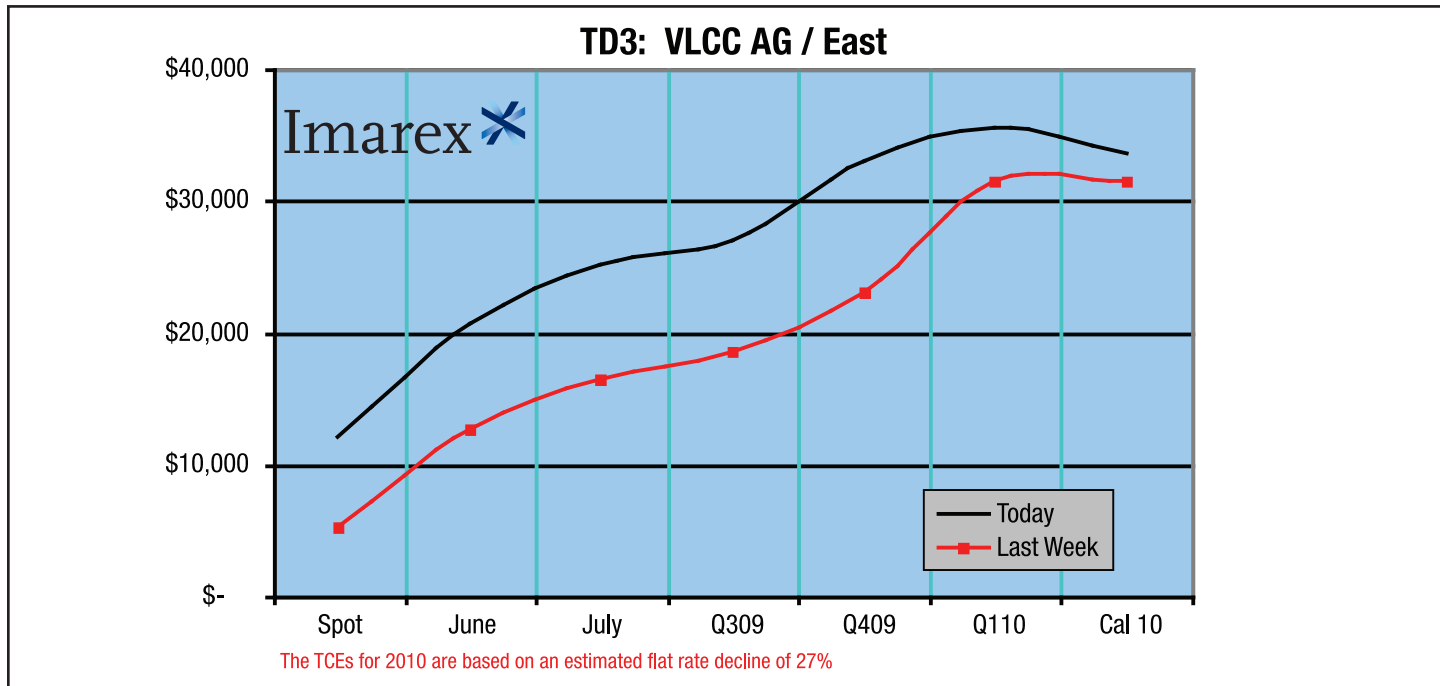
Why would you not just hand the keys to your bankers?

**Legal Representation in USS LP Chapter XI**

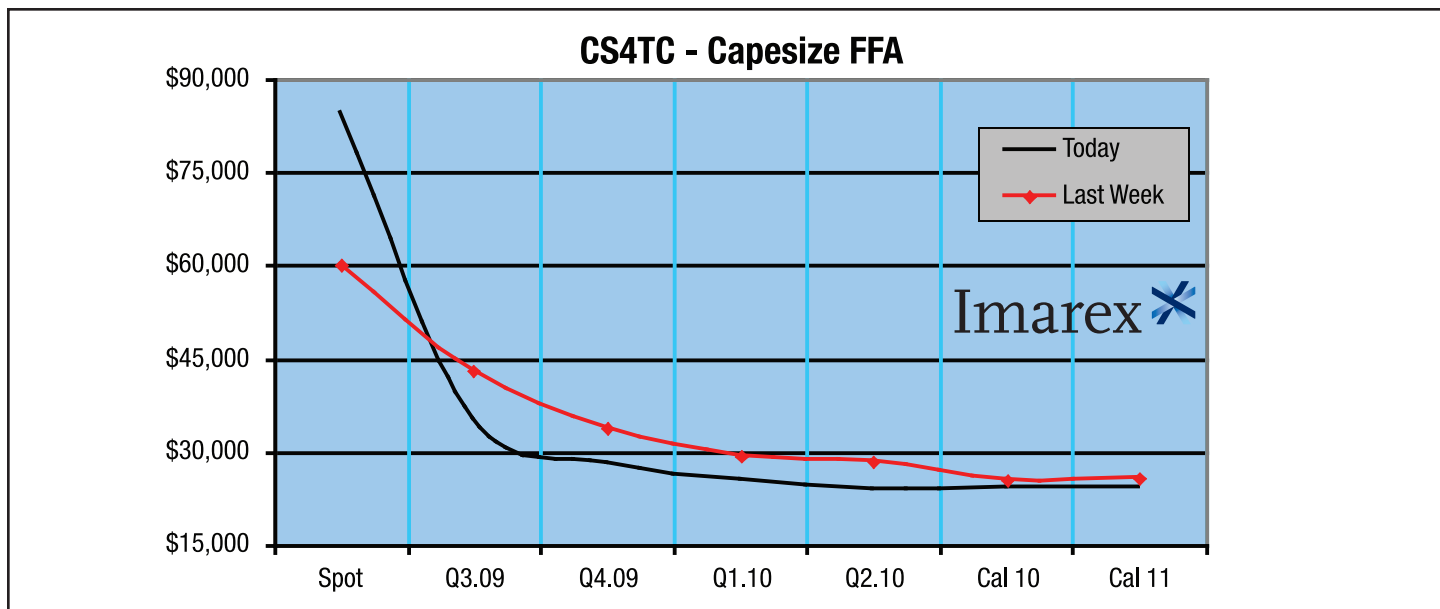
Law Firm	Represents
Weil, Gotshal & Manges	Debtors
Bingham McCutchen	NASCO
Bracewell & Guilian	2nd Lien Noteholders
Kaye Scholer	CIBC
Kelley Drye & Warren	Unsecured Creditors
Mayer Brown	Keybank
Pillsbury Winthrop Shaw Pittman	Sr. Secured Lenders
Schulte Roth & Zabel	Blackstone
Seward & Kissel	Wells Fargo

# Back to the Futures

By Mike Reardon and Jeffrey Landsberg of Imarex Inc., Email: [jsl@imarex.com](mailto:jsl@imarex.com)



Though Worldscale rates have improved in the AG, earnings are still dismal due to the rising cost of bunkers. While the global economic outlook seems to be improving, the tanker market still needs to overcome an abundance of newbuilds and the potential unwinding of the contango trade. In addition to the well publicized “VLCC for crude oil storage” story, we are now seeing VLCCs being taken on charter to store clean products. Although this provides near term support for the overall rate structure, it does create doubt as to just how much demand can actually be improving if both crude and products are being stored rather than consumed. FFA volumes have been fair as optimism is slowly returning to the sector. The forward curve has moved up throughout, yet much of this price increase may be attributable to rising bunker prices rather than expectations that increased demand will soon bring higher returns to Owners.



Dry bulk has had a brilliant run the past few weeks, though it appears forward momentum has come to a halt. Few had expected rates to surge to the extent that they did, as China has been sitting on impressive stockpiles of both ore and steel. Yet, Owners kept the pressure on and Charterers were willing to pay into a rising rate atmosphere. The indices have been witnessing the types of gains we had seen last year at this time, with the Baltic Cape Index jumping over 1,000 points at one point earlier this week. FFA volumes have been strong, with daily price changes providing reliable insight into which way the physical market would be moving within a day or two. The forward curve remains steeply backwardated, telling us that lesser returns are expected going forward. The equities have enjoyed a fair amount of volatility as bulls and bears debate the meaning of the stalled rate surge.

# 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
★ National Shipping Company of Saudi Arabia (NSCSA)		\$300	Arabian Agricultural Services (ARASCO)	NSCSA to own 60% of JV which will own, charter and operate dry bulk vessels.
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

## 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
★ DOF ASA	Nordea & Pareto	Up to NOK 300M	NIBOR + 9%	2011	Senior secured FRN to refinance existing debt & gen'l corporate purposes.	In Progress
✓ Mitsui O.S.K. Lines		\$317	1.28%	2014	Working capital	In Progress
✓ Mitsui O.S.K. Lines		\$211	2.00%	2019	Working capital	In Progress
✓ Mitsui O.S.K. Lines		\$160	7.95%	2011	Working capital	Done
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

## Deal Tables & Bond Prices continued

### Equity Deal Table

★ = New

✎ = Updated

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

Issuer	Underwriters / Advisors	Amount (US\$ M)	Structure / Pricing / Comments	Status
★ Vilmaris GmbH	Bankhaus Lampe, Lampe Corporate Finance & Montan Alternative Investment	EUR 33.5	Formed by Komrowski, company will invest in a diversified portfolio of container and bulk tonnage through the outright purchase of vessels as well as the acquisition of majority interests. Seeks listing	Done
★ Neptune Orient Lines	DBS Bank	S\$1,400 (\$970)	3 for 4 rights issue priced at S\$1.30 per share, a 15% discount to 5/29 price; Issue fully back-stopped by Temasek; 50% to repay debt, balance for general corporate purposes.	Announced
★ Sevan Marine	Pareto, SEB Enskilda	\$175	Private placement of 137.5m shares at NOK 8 per share completed. Proposal for additional 48m shares (NOK 8) offering to existing investors to be considered at EGM in June	In Progress
✓ Ezra Holdings	Credit Suisse (Singapore)	\$63	Placement of 78 million new shares at S\$1.185 each	Done
✓ Noble Group	Cazenove and J. P. Morgan	\$87	Placement of 84.7 million new shares at S\$1.52 each	Done
Petroleum Geo-Services	ABG Sundal Collier, DnB NOR, SEB Enskilda	NOK790	Private placement of 21.6m shares consisting of new (18.0) and treasury (3.6) at NOK36.50; Strengthen balance sheet.	Done
OceanFreight	Yorkville Advisors (YS Global Master SPV)	\$112	Standby Equity Purchase Agreement terminated before reaching the maximum issuance of \$147.9	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

### Restructuring Deal Table

★ = New

✎ = Updated

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

Company	Advisors	Banks	Comments
★ Dry Ships			Cancelled Capesize N/B contracted for \$114M for a cancellation fee of \$42.8M.Reduces 2009 capex by \$71.2M
★ Armada (Singapore) Pte Ltd.	Rajah and Tan, Holland & Knight, KPMG; Deloitte appointed as judicial managers		Re-structuring plan rejected.
Compania Sud Americana de Vapores	HSH Nordbank Corporate Financing, Freshfields		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
Dryships		Deutsche Bank	Obtained waivers on facility on \$1.125 billion facility including drillships under construction.
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.

## Bank Debt Deal Table

★ = New

✎ = Updated

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

Borrower	Arrangers / Buyers	Amount (US\$ M)	Pricing / Purpose / Remarks
★ Scorpion Offshore		\$52	6 month bridge loan for working capital; loan to be repayed from sales proceeds from Offshore Mischief. Guaranteed by Seadrill and Christian Sveaas for 8.5% fee.
★ Seadrill	A syndicate of international banks and export credit agencies.	\$1,500	Senior secured credit facility to refinance existing \$1billion bridge loan; Secured by 1st priority mortgages on 3 drill rigs, 1 drillship. 5 yr tenor, 8.5 yr amortization.
PT Berlian Laju	DnB NOR & NIBC	\$31.50	4 year term loan secured by a chemical tanker, a product tanker and LPG carrier.
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

## 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
<b>SHIPPING</b>							
<b>Berlian Laju Tanker (BLTAIJ)</b>							
7.5% Senior Notes due '14	40.000	32.85%	3,045	05/15/14	– / CCC+	05/15/12	103.750
<b>CMA CGM (CMACG)</b>							
5.5% Sr Unsecured due '12	62.000	24.33%	2,257	05/16/12	– / BB-	any time	MW+50
7.25% Sr Unsecured due '13	46.000	34.24%	3,246	02/01/13	– / BB-	02/01/10	103.625
<b>Golden State Petro (GOLDEN)</b>							
8.04% 1St Mortgage due '19	97.290	8.45%	495	02/01/19	Baa2 / BBB	any time	MW+37.5
<b>Great Lakes Dredge&amp;Dock (GREATL)</b>							
7.75% Senior Notes due '13	85.000	12.16%	996	12/15/13	Caa1 / B-	07/06/09	103.875
<b>Excel Maritime (EXM)</b>							
1.875% Sr Unsecured due '27	36.125	23.41%	2,085	10/15/27	– / –	10/22/14	100.000
<b>Horizon Lines (HRZ)</b>							
4.25% Sr Unsecured due '12	61.125	21.79%	2,023	08/15/12	Caa1 / B-		
<b>Navios Maritime (NAVIOS)</b>							
9.5% Senior Notes due '14	78.500	15.42%	1,278	12/15/14	B3 / B+	12/15/10	104.750
<b>Overseas Shipholding Group (OSG)</b>							
8.75% Sr Unsecured due '13	94.000	10.46%	828	12/01/13	Ba1 / BB	any time	MW
7.5% Sr Unsecured due '24	73.000	11.31%	756	02/15/24	Ba1 / BB	NC	NC
<b>Royal Caribbean Lines (RCL)</b>							
8% Sr Unsecured due '10	100.502	7.43%	700	05/15/10	Ba2 / BB-		
8.75% Sr Unsecured due '11	99.000	9.40%	865	02/02/11	Ba2 / BB-		
7% Sr Unsecured due '13	84.000	12.15%	1,019	06/15/13	Ba2 / BB-		
6.875% Sr Unsecured due '13	84.500	11.39%	920	12/01/13	Ba2 / BB-		
5.625% Sr Unsecured due '14	74.000	13.51%	1,098	01/27/14	Ba2 / BB-		
7.25% Sr Unsecured due '16	78.000	11.97%	882	06/15/16	Ba2 / BB-		
7.25% Sr Unsecured due '18	74.000	12.15%	876	03/15/18	Ba2 / BB-		
7.5% Sr Unsecured due '27	66.000	12.17%	825	10/15/27	Ba2 / BB-		
<b>Ship Finance International Ltd. (SHIPFI)</b>							
8.5% Senior Notes due '13	81.000	14.36%	1,216	12/15/13	B1 / B+	07/06/09	104.250
<b>Stena AB (STENA)</b>							
7.5% Sr Unsecured due '13	85.000	11.98%	982	11/01/13	Ba2 / BB+	11/01/09	102.500
7% Sr Unsecured due '16	80.000	10.99%	774	12/01/16	Ba2 / BB+	12/01/09	103.500
6.125% Sr Unsecured due '17	74.000	11.29%	799	02/01/17	Ba2 / BB+	any time	MW+50
5.875% Sr Unsecured due '19	74.000	10.16%	664	02/01/19	Ba2 / BB+	any time	MW+50

**Jefferies – High-Yield Shipping Bonds continued**

	Offer Price	YTW	STW	Maturity	Ratings	Call Date	Call Price
<b>SHIPPING CONTINUED</b>							
<b>Titan Petrochemicals (TITAN)</b>							
8.5% Senior Notes due '12	21.000	89.19%	8,784	03/18/12	Caa2 / CCC-	any time	MW+100
<b>Teekay (TK)</b>							
8.875% Senior Notes due '11	99.000	9.40%	843	07/15/11	B1 / BB	any time	MW+50
<b>Trailer Bridge (TRBR)</b>							
9.25% Sr Secured due '11	82.000	20.32%	1,915	11/15/11	B3 / B-	07/06/09	104.625
<b>Ultrapetrol Limited (ULTR)</b>							
9% 1St Mortgage due '14	67.000	18.96%	1,636	11/24/14	B2 / B	11/24/09	104.500
<b>US Shipping Partners (USS)</b>							
13% Sr Secured due '14	20.000	75.38%	7,288	08/15/14	WR / NR	02/15/11	106.500

<b>SUPPLY VESSELS</b>							
<b>Gulfmark Offshore (GMRK)</b>							
7.75% Sr Unsecured due '14	79.000	13.58%	1,112	07/15/14	B1 / BB-	07/15/09	103.875
<b>Hornbeck Offshore Services (HOS)</b>							
6.125% Senior Notes due '14	88.000	8.94%	634	12/01/14	Ba3 / BB-	12/01/09	103.063
<b>Seabulk International (SBLK)</b>							
9.5% Senior Notes due '13	102.000	8.47%	744	08/15/13	Ba1 / BBB-	07/06/09	104.750
7.2% Sr Unsecured due '09	100.500	5.23%	509	09/15/09	Ba1 / BBB-	any time	
5.875% Sr Unsecured due '12	92.000	8.70%	708	10/01/12	Ba1 / BBB-	any time	

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