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#### EDITORIAL STAFF

Nora Huvane, Managing Editor  
 nhuvane@marinemoney.com

George Weltman, Publisher  
 gweltman@marinemoney.com

#### BUSINESS AND SUBSCRIPTION OFFICE

UNITED STATES  
 One Stamford Landing  
 Suite 214  
 62 Southfield Avenue  
 Stamford, CT 06902 USA  
 Phone: +1.203.406.0106  
 Fax: +1.203.406.0110  
 Email: info@marinemoney.com

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# The Week in Review

While there are rumors of a number of IPOs in the works, volatility and uncertainty has all but brought the US equity markets to a stop, and we don't expect to see much more done over the summer. Bank debt has not proved as much of a problem for shipping. Most recently this week **Deutsche Bank** and **HSH Nordbank** acted as MLAs on a \$753.1 million loan for **E. R. Schiffhart GmbH & Cie KG** to finance ten capesize bulkers currently under construction in Korea by the **Hyundai Group** with delivery expected throughout 2010. **BNP Paribas**, **Commerzbank** and **Dresdner Kleinwort** joined DB and HSH as arrangers while **Deutsche Schiffsbank** came in as a co-arranger for the deal, which finances 71% of the \$1,056 million project cost and covers both pre and post-delivery financing. Notably **Ralph Bedranowsky** of Deutsche Bank and **Harald Kuznik** of HSH both hailed the deal as an example of "the global shipping market...returning to reasonable, market-consistent valuations..."

The M&A market has also remained busy, as **DryShips** completed its acquisition of **Ocean Rig** while **Teekay** acquired all the remaining outstanding shares of **Petrojarl**. Rumors continue to mill about whether **Hapag-Lloyd's** future will involve **NOL**, while three SPAC mergers continue to await shareholder votes: **Energy Infrastructure** and the **Cheng/Vanderperre** ships, **Seanergy** and the **Restis** ships and **Marathon** and **CMA-CGM's Global Ship Lease**. The former two deals have both seen their votes delayed in the past week, at least one of them precar-

iously so. This has led to speculation that without substantial arbitrage opportunities the same carried interest that makes SPACs so attractive to issuers has come back as dilution for investors and caused the latest flavor of the month to lose some of its luster. To help put this and other questions in perspective, we not only take an in-depth look at the Energy Infrastructure deal this week but also put forward updates on where the SPAC market in shipping has been, who the players are, and what returns have come out of it to date.

## Energy Infrastructure Shareholders to Opine on Vanship

Following quickly on the heels of **Seanergy's** proposed special meeting to vote on its acquisition, **Energy Infrastructure Acquisition Corp.** ("EII"), another blank check company, set July 17 for its special shareholder meeting. As was done last week in the case of **Seanergy**, we will take a close look at what the shareholders are being asked to approve.

In July 2006, EII consummated its initial public offering of 20.25 million units, each unit consisting of one share of common stock and one warrant, raising \$209.25 million in net proceeds (including a portion of the green shoe). Prior to the offering, **George Sagredos**, the President and COO, purchased through Energy Corporation 825,398 units at the offering price resulting in gross proceeds of approximately \$8.25 million.

## Energy Infrastructure Acquisition Transactions

Nature of Business	Activity Period	Reasons for Rejection
Oil Refinery & Gas Stations	Sep-06	Price disagreement
Tanker Fleet	Oct-06	Seller decided not to sell
LPG fleet & Gas Trader	Oct-06	Did not agree on valuation
Naptha Terminal	Dec-06	Sellers opted for other buyer
Natural Gas Exploration	Jan-07	Sellers' economics
Freight & Tanker Operator (FR8)	Feb-07	Seller did not meet the deadlines
Oil Refinery	May-07	Did not agree on valuation
Tanker fleet (Ancora Investment Trust)	Jun-07	Seller decided not to sell
Oil Rigs	July/Aug-07	Seller decided not to sell

Figure 1

### Energy Infrastructure Acquisition Sources and Uses

Cash - Sources	
Trust Account	\$220
Acquisition Financing	\$415
<b>Total Proceeds</b>	<b>\$635</b>
Cash - Uses	
Cash Consideration	\$643
Working Capital Reserve	\$15
<b>Total Uses</b>	<b>\$658</b>
<b>Cash Surplus/(Shortfall)</b>	<b>(\$23)</b>

Figure 2

With the money in hand, EII began to shop. In all, they considered 15 prospective transactions prior to reaching the agreement under consideration. Of this total management entered into or considered entering into negotiations with the targets in Figure 1.

And of these, substantive terms were agreed with **FR8** and **Ancora Investment Trust** although both subsequently failed.

Eventually through the intervention of **Fortis Securities**, EII was given the opportunity to bid on the acquisition of VLCCs controlled by **Vanship Holdings Limited** (“Vanship”), a company owned and controlled by **Captain Vanderperre** and Mr. **Fred Cheng**. On December 3, 2008, the parties entered into the purchase agreement that provided for total purchase price of \$778 million consisting of cash consideration of \$643 million and 13.5 million common shares to be paid to the sellers. Unfortunately, due to the reluctance of lenders to finance the acquisition of single hulls and to support the leverage implied by \$435 million of debt, EII was only able to obtain a maximum commitment for \$415 million in acquisition debt, of which \$15 million was earmarked to fund a required working capital reserve, leaving a shortfall in the cash portion which needed to be bridged as shown in Figure 2.

### Energy Infrastructure Acquisition Fleet List

Vessel	Hull Design	Capacity	Built	Yard
Shinyo Alliance	Single	248,034	1991	MHI-Japan
C. Dream	Double	298,570	2000	Kyushu Hitachi-Japan
Shinyo Kannika	Double	287,175	2001	IHI-Japan
Shinyo Ocean	Double	281,395	2001	IHI-Japan
Shinyo Jubilee	Single	250,192	1988	IHI-Japan
Shinyo Splendor	Double	306,474	1993	NKK-Japan
Shinyo Mariner	Single	271,208	1991	NKK-Japan
Shinyo Navigator	Double	300,549	1996	Hyundai-Korea
Shinyo Sawako	Single	275,616	1995	Hitachi Zosen-Japan

Figure 3

### Peer Analysis

	TEV/EBITDA		Price/NAV	Yield
	2007	2008		
RAMS	8.1	7.9	0.7	3.0%
ATB	12.3	12.6	1.0	9.0%
DHT	10.8	11	1.1	12.0%
GMR	9.7	8.9	0.9	8.0%
VLCCF	10.3	11.2	1.2	14.0%
NAT	10.3	11.6	1.2	16.0%
ONAV	11.6	11.2	1.2	5.0%
SFL	12.8	13.1	0.9	8.0%
High	12.8	13.1	1.2	16.0%
Mean	10.7	10.9	1.0	9.0%
Median	10.6	11.2	1.0	9.0%
Low	8.1	7.9	0.7	3.0%
Company*	N/A	8.4	1.0	15.0%

\*(excluding earnout)

In addition, there is a possibility that shareholders may not approve the acquisition requiring their shares to be redeemed, thereby further decreasing the availability of funding to consummate the transaction.

Stepping into the breach are the sellers, Vanship, who initially agreed in the purchase agreement to acquire up to 5 million units at a price of \$10, but only to the extent necessary to secure acquisition financing. In the end, however, Vanship agreed in principal to purchase all 5 million units at the closing of the business combination in order to provide funds to complete the acquisition and meet the company’s working capital requirement.

Under the terms of the purchase agreement, EII has agreed to purchase all of the outstanding shares of nine SPVs, each incorporated in Hong Kong and controlling one VLCC, from Vanship. The fleet is mixed comprising five double hulls and four single hulls as shown in Figure 3.

**SPAC Sponsors & Status**

SPAC	Sponsors	Acquisition made	Banks	Sponsor percent held	Sponsor equity contribution
International Shipping Enterprises	Angeliki Frangou	Yes	Sunrise Securities Corp.	20%	\$25k to purchase shares + \$230k advance for expenses in non-interest bearing loans*
Rand Acquisition Corp	Laurence Levy	Yes	EarlyBirdCapital	19.90%	\$25k + \$70k non-interest loan
Aldabra Acquisition Corporation	Terrapin	Yes	Morgan Joseph, EarlyBirdCapital	20%	\$25k
Star Maritime Acquisition Corp	Akis Tsirigakis, Petros Pappas	Yes	Maxim Group, EarlyBirdCapital	35%	\$11.4m in private placement + \$25k initial investment +\$390k loan from bearing interest at 4%
Energy Infrastructure Acquisition Corp	George Sagredos, Andreas Theotokis	In progress	Maxim Group, Ferris, Baker Watts	23.13%	\$8.3m in private placement + \$25k initial investment + \$300k loan bearing 4% interest and \$475k loan +\$2.55m convertible loan (exercisable at \$10/share), last 2 subordinate to equity
Marathon Acquisition Corp	Michael Gross (Magnetar, formerly of Apollo)	In progress	Citi, Ladenburg Thalmann, UBS	20%	\$25k + \$225k non-interest loan + \$5.5m in warrants
Seanergy Maritime	Georgios Koutsolioutsos, Panagiotis and Simon Zafet	In progress	Maxim Group	20%	\$25k + \$13.5m in warrant private placement
Oceanaut	Excel Maritime	No	Citigroup, Maxim Group		\$9m in private placement + \$2m in warrants
Navios Maritime Acquisition	Navios Maritime	No	JP Morgan, Deutsche Bank, S. Goldman Advisors	20%	\$7.6m in private placement, \$500,000 loan, \$30m limit offer
First Class Navigation	Dimitrios & Georgios Souravlas, Alexandros Politis-Kalenteris	In IPO market	Dahlman Rose, Ladenburg Thalmann	20%	\$25k + \$400k loan + \$4.75m warrant placement (prior to offering)

\*Angeliki Frangou indicated in prospectus intent to invest \$20m in offering

Primarily transporting oil from the Middle East to Asia, these vessels have a combined carrying capacity of approximately 2.5 million DWT and an average age of approximately 12.9 years upon completion of the combination. With the exception of the Jubilee, which is employed on consecutive voyage charters, the fleet is employed under long-term charters with an average duration of 5.7 years and average earnings of \$36,054 per day. Charterer's are all first class and include **Sinochem Corporation**, **COSCO**, **Formosa Petrochemical**, **SK Shipping**, **S-Oil** and **Sanko Lines**. These arrangements reflect Messrs. Cheng and Vanderperre's long-standing relationships in the region.

With borrowers today extremely focused on the availability of debt, it is worth taking a closer look at the terms of the acquisition debt and how the lenders got comfortable financing the single hull VLCCs. The vessels are financed separately with the double hulls financed with a \$325 million term loan ("A Loan") with **DVB**, **Fortis Bank**, and **NIBC** as mandated lead arrangers and bookrunners and DVB, Fortis, NIBC, **Deutsche Schiffsbank**, **SEB**, **Allied Irish**, **HVB** and **BOI** as lenders. The second loan ("B Loan") for the single hulls was for \$90 million with DVB, Deutsche Schiffsbank, SEB and Allied Irish as lenders.

**SPAC Targets & Acquisitions**

	Target announced	Proxy issued	Acquisition completed	Price	Sector
International Shipping Enterprises	February-05	Navios	25-Aug-05	\$607.50	Bulk
Rand Acquisition Corp	September-05	Lower Lakes Dredging	Mar-06	\$53.73	Great Lakes transportation
Aldabra Acquisition Corporation - Great Lakes Dredge & Dock	June-06	Great Lakes Dredge & Dock	14-Dec-06	\$410.00*	Great Lakes infrastructure/construction
Star Maritime Acquisition Corp	January-07	TMT Bulkers	30-Nov-07	\$345.20**	Bulk
Energy Infrastructure Acquisition	December-07	Cheng/ Vanderperre VLCCs	Vote postponed	\$778.00	Tanker
Marathon Acquisition Corp	March-08	Global Ship Lease (CMA-CGM)	Vote on August 6	\$1,000.00	Containership leasing
Seanergy Maritime	May-08	Restis ships	Vote postponed	\$395.00	Bulk

\*EV, \$250m in debt, \$160m in shares

\*\*\$120.7m payable in 12,537,645 shares of common stock in successor co Star Bulk Carriers

**Shipping SPAC IPOs**

SPAC	Ticker	Date of IPO	Number of units	Price of units	Composition of unit	Amount raised
Rand Acquisition Corp	RLOG	28-Oct-04	4,000,000	\$6.00	1 share, 2 warrants for \$5 share purchase	\$24,000,000
International Shipping Enterprises	NM	13-Dec-04	32,775,000	\$6.00	1 share, 2 warrants for \$5 share purchase	\$196,650,000
Aldabra Acquisition Corporation	GLDD	18-Feb-05	9,200,000	\$6.00	1 share, 2 warrants for \$5 share purchase	\$55,200,000
Manhattan Maritime Enterprises		July 1, 2005 - initial filing	19,000,000	\$6.00	1 share, 2 warrants for \$5 share purchase	\$114,000,000*
Star Maritime Acquisition Corp	SEA	15-Dec-05	18,867,500	\$10.00	1 share, 1 warrant for \$8 share purchase	\$188,675,000
Energy Infrastructure Acquisition Corp	EII	18-Jul-06	20,250,000	\$10.00	1 share, 1 warrant for \$8 share purchase	\$202,500,000
Marathon Acquisition Corp	MAQ	25-Aug-06	37,500,000	\$8.00	1 share, 1 warrant for \$6 share purchase	\$300,000,000
Oceanaut	OKN	1-Mar-07	18,750,000	\$8.00	1 share, 1 warrant for \$6 share purchase	\$150,000,000
Seanergy Maritime Corp	SRG	25-Sep-07	22,000,000	\$10.00	1 share, 1 warrant for \$6.50 share purchase	\$220,000,000
Navios Maritime Acquisition	NNA	25-Jun-08	22,000,000	\$10.00	1 share, 1 warrant for \$7 share purchase	\$220,000,000
First Class Navigation	FNV		12,500,000	\$10.00	1 share, 1 warrant for \$7 share purchase	\$125,000,000*
					<b>Total raised to date:</b>	<b>\$1,557,025,000</b>

Loan A, which is secured by the double hull vessels, has a loan to value of 70% and a 9-year term. Pricing is on a grid with spreads ranging from 135 to 165 bps depending on the LTV.

The B Loan, reflecting the less desirable single hulls, has more onerous terms. The loan has an advance rate of 60% and with a loan term of 2 \_ years taking it to the phase out date. Spreads range on the grid from 175 to 275 bps depending on the loan to value.

Within 3 months of the final drawdown, 50% of the A Loan must be swapped to fixed. Fixing is optional on the B Loan.

In terms of fees, DVB will receive an advisory fee of \$1,122,500. DVB, Fortis and NIBC will share an arrangement fee of 0.85% of the loan amounts and a commitment fee of 0.25% on the committed but un-drawn portion of the loans.

Although the transaction was carefully structured to mitigate and reward the banks for the risks taken, the terms do not appear to be overly burdensome in our perspective. The tenors, margins and advance rates seem reasonable and are more in line with historic levels rather than the more recent aggressive lending parameters. Despite the strong market and long-term fixtures, expectations on

the amount of gearing were perhaps too high in today's market.

And, oh by the way, there are covenants, including among others, minimum available cash, minimum capital, interest coverage and a leverage test.

For the investor, valuation is key and to that end **New Century Capital Partners** provided the fairness opinion dated October 2007 confirming that the fair market value of the company is at least equal to 80% of the assets of EII.

Among the methodologies used was a peer comparison, which is of the greatest interest to us given its extensive use by industry analysts and investors. For the peer group, New Century selected public tanker companies with a dividend yield over 7%, as such companies tend to trade on multiples of cash flow or EBITDA. Figure 5 shows the comparable group together with the corresponding cash flow multiples, price/NAV ratios and dividend yields. At the time of the calculation, the shares were trading at a 22.9% discount to the peer group in terms of the cash flow multiple and a premium of 66.7% in terms of yield. When recalculated by management for the December 2007 presentation, the discount was reduced to 4.8% and the premium on the yield down to 45.1%. It should be noted

**Shipping SPACs Returns**

Return assumes investor bought a unit at the IPO and had since converted your warrants(s) into common shares.									
	Unit price	Warrants per unit	Exercise price	Current share price	Difference from current share price to exercise price	Current value of warrants in one IPO unit	Current value of one unit	Dividends if applicable	TRS from unit price
Navios Maritime	\$6.00	2	\$5.00	\$9.14	\$4.14	\$8.28	\$17.42	\$0.716	202.3%
Star Bulk	\$10.00	1	\$8.00	\$11.11	\$3.11	\$3.11	\$14.22	\$0.450	46.7%
Energy Infrastructure Acquisition Corp	\$10.00	1	\$8.00	\$10.08	\$2.08	\$2.08	\$12.16	\$0.000	21.6%
Rand Logistics*	\$6.00	2	\$4.50	\$5.67	\$1.17	\$2.34	\$8.01	\$0.000	33.5%
Oceanaut	\$8.00	1	\$6.00	\$7.89	\$1.89	\$1.89	\$9.78	\$0.000	22.3%
Great Lakes Dredge & Dock	\$6.00	2	\$5.00	\$6.38	\$1.38	\$2.76	\$9.14	\$0.034	52.9%
Marathon Acquisition Corp	\$8.00	1	\$6.00	\$7.51	\$1.51	\$1.51	\$9.02	\$0.000	12.8%
Seanergy Maritime	\$10.00	1	\$6.50	\$9.87	\$3.37	\$3.37	\$13.24	\$0.000	32.4%

\*Rand made an offer to exchange warrants at \$4.50 per share rather than the official \$5.00 exercise price; the majority of Rand warrants that have been exercised were exercised at this time.

however that the company has agreed only to pay dividends equal to \$1.54 by the end of the first fiscal year. This payment should not be viewed as indicative of any future dividend payments which will be discretionary and based upon a host of conditions at the time. Furthermore, the illustrated yield is enhanced by the agreement of Insiders to waive the dividend during the 1st fiscal year.

Unfortunately, on Wednesday, the company announced the cancellation of the special meeting to be held today as a consequence of the SEC's questioning the company's ability to timely distribute the proxy statement to its shareholders in advance of the special meeting. Under the terms of the company's certificate of incorporation, the company must be dissolved if it does not consummate a business combination by the later of January 21, 2008 or July 21, 2008 in the event that either a letter of intent, an agreement in principle or a definitive agreement to complete an eligible business combination was executed but not consummated by January 21, 2008. More news is expected from the company in the next few days. After all

this work, it would be incredibly disappointing, for all the parties, if the deal could not be done.

### Jefferies High Yield Confab

Last Friday, we had the good fortune to be invited to **Jefferies** High Yield Research 3rd Quarter Sector Outlook Presentation. We opted for the second session, which was held at the beautiful l'Escale Restaurant in Greenwich on a beautiful sunny day. A wealth of material was provided, including industry outlooks as well as investing opportunities, including interesting paired trades, a new concept for us. More importantly, it is always interesting to get the credit perspective, which was given to a packed room.

For us in shipping, our primary focus was on **John Parker's** presentation on maritime transport, **Evan Templeton's** on the oil sector and **Brett Levy's** on metals and mining. Naturally, these all contained good news. Unfortunately, good news for these sectors equated to bad news for the Industrial, Restaurant, Food & Consumer,

### Marine Money "Fair Value" Table for Shipping Equities

Company	Price*	NAV	P/NAV	Marine Money's "Fair Value"***	Difference from Actual Price
Aries Maritime Transport	\$3.12	10.50	30%	\$8.13	\$5.01
B+H Ocean Carriers	\$11.70	25.87	45%	\$20.03	\$8.33
d'Amico International Shipping	€2.03	4.09	50%	\$3.17	€1.14
Teekay Shipping	\$40.21	67.82	59%	\$52.50	\$12.29
Tsakos Energy Navigation	\$35.22	58.27	60%	\$45.11	\$9.89
TORM	\$31.01	50.14	62%	\$38.81	\$7.80
Overseas Shipholding Group	\$77.69	120.65	64%	\$93.40	\$15.71
Seaspan Corporation	\$22.93	34.20	67%	\$26.47	\$3.54
DHT Maritime	\$9.65	14.00	69%	\$10.84	\$1.19
Excel Maritime	\$37.35	51.81	72%	\$40.11	\$2.76
General Maritime	\$25.36	35.29	72%	\$27.32	\$1.96
Danaos Corporation	\$22.31	30.51	73%	\$23.62	\$1.31
Globus Maritime	£4.18	5.69	73%	\$4.40	£0.22
Ship Finance International Ltd.	\$29.09	38.78	75%	\$30.02	\$0.93
Eagle Bulk Shipping	\$29.50	37.80	78%	\$29.26	-\$0.24
StealthGas	\$14.50	18.30	79%	\$14.17	-\$0.33
Arlington Tankers	\$22.69	28.04	81%	\$21.71	-\$0.98
Hellenic Carriers	£2.16	2.64	82%	\$2.04	-£0.12
Goldenport Holdings	£3.47	4.16	83%	\$3.22	-£0.25
DryShips	\$78.88	78.72	100%	\$60.94	-\$17.94
Omega Navigation	\$15.75	15.53	101%	\$12.02	-\$3.73
Nordic American Tanker Shipping Ltd.	\$38.40	35.57	108%	\$27.54	-\$10.86
Diana Shipping	\$30.21	27.43	110%	\$21.23	-\$8.98
Knightsbridge Tankers Ltd.	\$30.55	26.30	116%	\$20.36	-\$10.19
Genco Shipping & Trading	\$64.23	51.81	124%	\$40.11	-\$24.12
		Average:	77%		

\*Price data current as of closing on June 16, 2008

\*\*Based on current average P/NAV

Compiled based on Jefferies & Company, Inc. Energy Group Estimates, Marine Money Research, Company information

and Automotive sectors that also presented. Some of the key take-aways for us are included herein.

For Brett Levy, it's "nothing but net" for the Metals Sector. All his graphs point in one direction – up - and prospects continue to be excellent. Of key interest was his note on scrap, the price of which has now increased to \$520 per ton, representing up to 75% of mini-mills COGS. And with prospects remaining strong in the shipping sector, scrapping does not appear on the horizon just yet. Our guess is that the analogous situation is jet fuel to the airline industry. With the outlook bullish, Brett spent most of his allotted time on trading ideas.

We are certainly not envious of Evan Templeton, who covers the energy sector. As he pointed out with the industry running at 99% capacity anything can happen on a normal day, no less with sabers rattling in the background. Prices are up and inventories are down and although demand may be slackening here it is more than offset by growing demand in Asia. In a series of graphs, Evan reminded us that prices are not solely demand driven as the costs of equipment

rentals are ballooning too. The good news is that oil field activity is increasing as the search for new supply continues. We forgot that in the bond markets positive news translates to less perceived risk and hence a tightening of spreads.

John Parker spoke to our favorite subject and noted that both the dry and wet markets remain strong, although the latter will begin to feel the pressure of supply growth in 2009. Orderbooks for both are at record levels, although the dry side has exhibited near exponential growth with 1,773 vessels ordered in 2007 up from 618 in 2006. Year to date orders show some slowing at 454 vessels. Financing is the critical path these days and John showed a graph from Dealogic, which showed a sharp decline in deal value and number of deals in the 1st quarter. In both categories, these were the lowest levels since the 4th quarter 2004. As a good credit person, John focused on companies with strong balance sheets and conservative charter policies and included as his picks **Ship Finance** and **Navios Maritime**.

Both minds and bodies were well fed. Our thanks to the Jefferies High Yield Team.

### Cash Flow Multiples by Vessel Type

Ship Type	Sub-type*	Charterfree Value (US\$)	EBITDA Multiple			
			Spot	1-year TC	3-year TC	2003-06 Average Spot
<b>TANKER</b>						
VLCC	Modern 300,000 dwt	\$155,000,000	2.8	5.1	6.9	7.1
	Vintage 250-285,000 dwt	\$45,000,000	0.8	2.2	-	2.4
Suezmax	Modern 150,000 dwt	\$100,000,000	3.5	6.1	7.3	5.7
Aframax	Modern 95-105,000 dwt	\$75,000,000	3.9	5.5	7.4	5.8
	Mid-aged 95-105,000 dwt	\$60,000,000	3.2	10.7	6.3	5.0
Clean Product	Modern 70-75,000 dwt	\$59,000,000	4.1	6.3	7.3	5.5
	Mid-aged 30-35,000 dwt	\$37,000,000	2.8	-	-	4.6
Dirty Product	Modern 45-47,000 dwt	\$51,000,000	3.3	7.5	7.7	4.9
<b>BULK CARRIERS</b>						
Capesize	Modern 170,000 dwt	\$153,000,000	2.9	2.8	4.1	7.1
	Mid-aged 150,000 dwt	\$113,000,000	2.4	2.1	3.1	6.5
	Vintage 150,000 dwt	\$92,500,000	2.0	4.7	-	5.4
Panamax	Modern 73,000 dwt	\$88,000,000	3.7	3.2	4.1	9.6
	Mid-aged 72,000 dwt	\$76,500,000	3.2	2.8	3.6	8.5
	Vintage 60,000 dwt	\$47,000,000	2.3	2.1	3.2	5.9
Handymax	Modern 52,000 dwt	\$72,500,000	3.5	4.1	5.0	9.1
	Mid-aged 42-45,000	\$60,500,000	3.3	3.4	4.2	7.7
Handysize	Modern 25-30,000 dwt	\$54,000,000	-	4.1	5.9	-
	Mid-aged 25-30,000 dwt	\$47,000,000	-	3.6	5.2	-
<b>CONTAINER**</b>						
	Mid-aged 3,500 teu	\$50,300,000	5.3	-	-	6.2

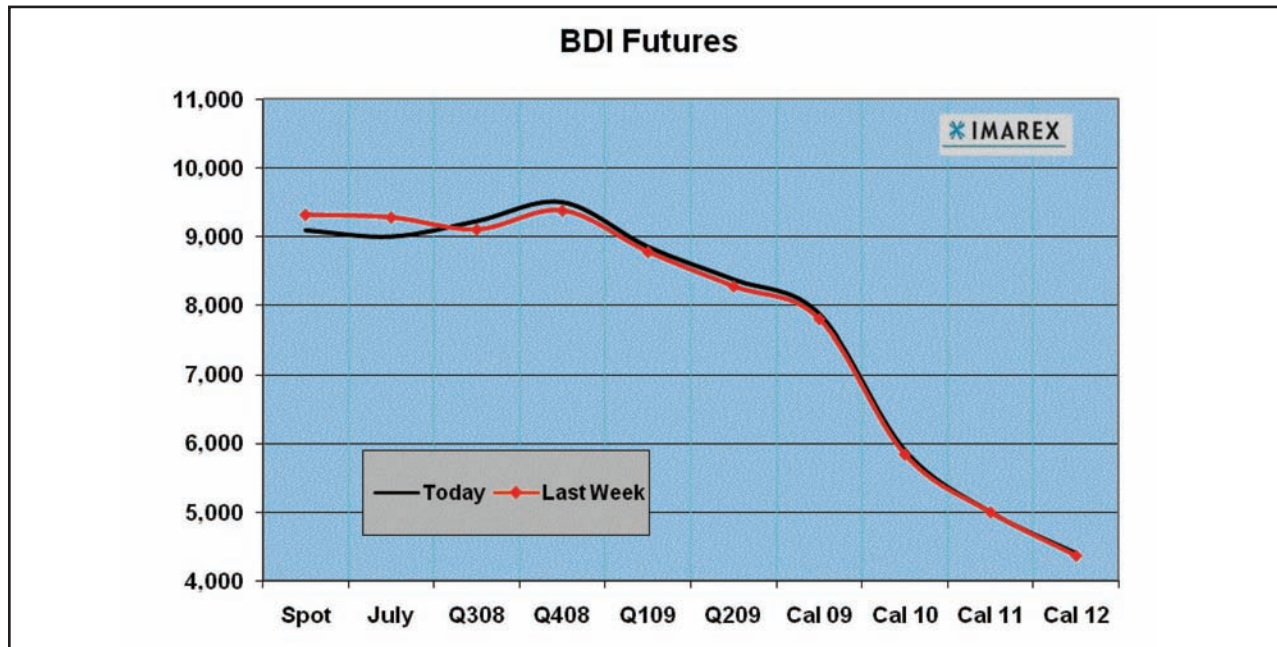
\*The ship Sub-type is associated with the charterfree market value of the vessel; all corresponding rate data is chosen using a "best fit" method.

\*\* Average spot is 2001-2006

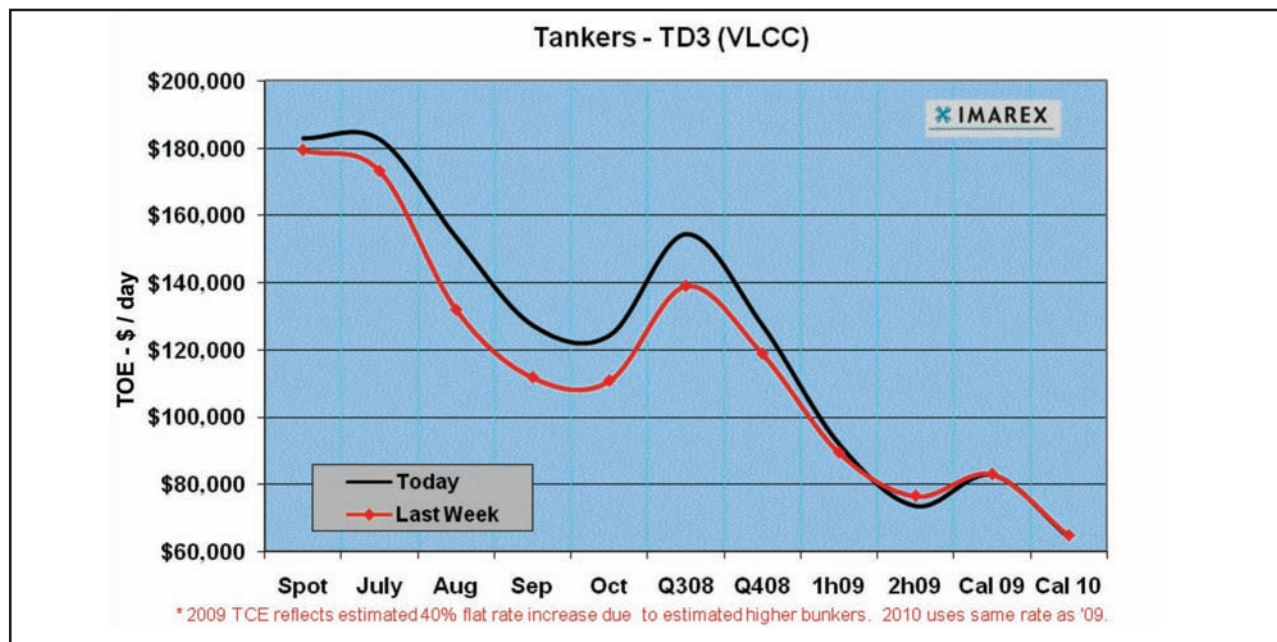
Data for ship values and market rates is sourced from Clarkson Research Studies.

# Back to the Futures

By Mike Reardon, Imarex Inc., Email: [mr@imarex.com](mailto:mr@imarex.com)



Wed 16 July: The dry sector has remained uncharacteristically stable throughout the past week. Though we have seen fluctuations within a given asset class or trading region, taken as a whole – the market has been relatively flat. Atlantic-based Panamaxes are seeing some support, but in the Pacific these vessels face a softer tone. The specter of the farmer’s strike in Argentina still refuses to go away, allowing lingering doubts to undermine forward sentiment. FFA volumes have been fair, with prices finally turning up after a few days of mild declines. The overall market outlook appears firm for the balance of 2008, despite some expectations of near term turbulence. Delayed deliveries of newbuilds are allowing increased optimism on the part of owners – though the forward curve beyond 2008 shows steep backwardation. Even more surprising than the stability seen in the physical and futures markets has been the lack of constant volatility in the equities sector.



Wed 16 July: A slow but steady pace of fixing in the AG has allowed VLCC rates to begin another measured advance. Though a slight tonnage overhang from July may limit the extent of freight increases, owners remain optimistic. And why not? On the benchmark AG/East route, VLCCs are still earning about \$190,000/day. That’s a lot of money under any circumstances, let alone a “summer market” during a year that many felt would suffer at the hands of oversupply. With this positive sentiment in place, the FFA market shifted upward along the entire curve on good volume. Worth noting is that the price for TD3 in 2009, quoted in TCE, sits at about \$83,000/day. While expectations for a 40% increase in the flat rate play a role, this is no small number considering this represents expectations for the entire year. Although it’s still less than half of what VLCCs are making in today’s market – recall that forecasts for 2009 called for an “ugly” year due to the massive orderbook.

# 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
★ Hapag-Lloyd	J.P. Morgan and Deutsche	Circa \$6,000	For Sale	Hamburg consortium bidding against NOL
★ Dryships	DnB NOR Markets	\$1,447	Ocean Rig	Acquisition at a 4.9% premium of last closing share price completed through Primelead Limited
★ Teekay	DnB NOR Markets		Remaining 5.2% of Teekay Petrojarl	Exercised right to effect compulsory acquisition at \$11.54/share
Newport Holdings	Jefferies, Noble	\$136	Global Oceanic Carriers	Privatization by Tsartsinis-affiliate for 170 p/per share, circa 29% premium
Aries Maritime	Merrill Lynch			Concluded review of strategic alternatives
Bocimar International			Handysize JV BoConti Shipping NV	JV with Conti7; Delivery of 6 newbuilding Handysize vessels between 2009 and 2010
Shipping Corp of India			JV with state-run Steel Authority of India (SAIL)	MoU to promote shipping related services to SAIL to import coking coal and for future endeavors
Frontline		\$240	5 Suezmax 1990's built double hull tankers	From TopShips
Arlington Tankers	Jefferies			Exploring strategic alternatives
Eitzen Maritime Services		\$115	Seven Seas Shipchandlers	Acquisition of leading ME ship supplier with \$14.9m EBITDA in 2007

## Bond Deal Table

★ = New

📄 = Updated

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Borrower	Arrangers / Advisors	Amount (US\$ M)	Interest Rate	Maturity	Purpose / Remarks	Status
★ 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
✓ Noble Group	Citi and JP Morgan	500	8.5 - 8.75%	2013	For general corporate funding	In Progress
✓ Swire Pacific	HSBC and JP Morgan	\$500	6.25%	2018	For general corporate funding	Done
Fairstar Heavy Transport	DnB NOR Markets	\$30	3 mo NIBOR+ 3%	2009	18 month secured bonds to fund newbuilding	Done
✓ Swiber Holdings	OCBC	\$72	4% and 3 mo SIBOR + 2.2%	2011	2 tranche bond offering to fund vessel acquisitions	Done
Northern Offshore	DnB NOR Markets, Nordea Markets	\$25	NIBOR+ 4.5%	2008	9 month commercial paper issue for modification of Energy Driller	Done
Thule Drilling		\$11	18.00%	2008	8 month commercial paper to refinance previous bond issue	In Progress
FPS Ocean	Pareto, Fearnley Fonds	NOK 175	9.00%	2011	Fixed with NOK 72 per share conversion price	Done

## Equity Deal Table

★ = New

📄 = Updated

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

Issuer	Underwriters / Advisors	Amount (US\$ M)	Structure / Pricing / Comments	Status
Svithoid Tankers		\$9	Rights issue; Additional \$10 million second tranche expected to be raised in 2009	Announced
Frontline	Carnegie, Fearnley Fonds, DnB NOR, Dahlman Rose	\$210	3 million new shares at NOK 37 per share	Priced
Navios Maritime Acquisition	JP Morgan, Deutsche Bank, S. Goldman Advisors	\$253	25.3 million share SPAC sponsored by Navios at \$10 per share; Overallotment of 3.3 million shares exercised	Done
✓ Far Eastern Shipping Co (FESCO)		\$767	Plans to sell 590.25 m new shares or 25% of its share capital to fund acquisitions	In Progress
Eitzen Maritime Services	Fondsfinans ASA, Kaupthing ASA, Orion Securities AS	\$50	The Private placement at NOK 3.0 per share, fully underwritten by Camillo Eitzen & Co., to fund acquisition of Seven Seas Shipchangers	In Progress
Seawell	Pareto, DnB NOR Markets	\$39	Private placement of 10 million shares at NOK 19.50/share to part finance the company's recent acquisitions and for working capital	Done
Teekay Offshore Partners	Citi, Merrill Lynch, Lehman Brothers	Up to \$162	Follow-on offering of 7million unts	Priced
Britannia Bulk	Goldman Sachs, Banc of America, Dahlman Rose, Oppenheimer	Up to \$144	NYSE IPO priced below range at \$15 per share	Priced
Trico Marine	Lazard for Trico, Carnegie for Deep Ocean	\$126	20 m new shares in DeepOcean at NOK 32 per share, the value of the offer price and announced dividend combined represents a premium of 28%	In Progress
✓ Wah Kwong Maritime Transport	Cazenove and Anglo-Chinese	up to \$150	Seeking to relist in Hong Kong	In Progress
✓ Pacific Basin	Goldman Sachs	\$275	Private placement of 158.6 million new shares at HKD 13.52	Done
Safe Bulkers	Merrill Lynch, Credit Suisse	\$190	Hadjiioannou-led 10 million share IPO with fleet of 11bulk carriers; Priced at \$19/share with 1.5 m share over allotment option	Priced
Genco Shipping	Morgan Stanley, Jefferies, J.P. Morgan,	\$280	3.7 million primary and secondary share offering of its common stock at \$75.47/share; 560,600 overallotment option	Closed
TBS International	Jefferies, Banc of America Securities	Up to \$179	Follow on offering of 3.4 million class A common shares priced at \$51 per share with 510,000 share over allotment option	Priced
Nordic American Tanker Shipping	Morgan Stanley, Dahlman Rose	\$173	4m share offering and over allotment option of 310,000 shares partially exercised at market price of \$40.08/share	Priced
Teekay Offshore Partners	Undetermined	Up to \$750	Shelf registration	Filed
Pacific Basin	Goldman Sachs	\$275	158,598,000 shares, to be placed at HK\$13.52/share; To finance the company's expansion initiatives	In Progress
✓ Qingdao Port	In discussions with UBS, Goldman Sachs and BOC International		Seeking listing in Hong Kong within the year	In Progress
Double Hull Tankers	Merrill Lynch, UBS and Dahlman Rose	Up to \$97	Follow-on offer of 8 million common shares at \$10.50/share for general corporate purposes; Overallotment option of 1.2 million shares	Priced
Seaspan	Merrill Lynch, Citi and Goldman Sachs	\$237	7 m share offering, priced at \$27.25 each; Over allotment of 1.05m shares exercised, plus concurrent sale of 663,330 shares to company directors	Done
Neptune Offshore AS and Neptune Subsea IS	Pareto	\$25	Private placement along with additional funds also raised by Pareto to be used for two newbuilding Ulstein SX 130 design multipurpose offshore vessels	Done
Reliance Power	Clarkson's	\$1,200	Plans to float a bulk shipping subsidiary to grow fleet size to almost 12 vessels	Early Stages

## Bank Debt Deal Table

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Borrower	Arrangers / Buyers	Amount (US\$ M)	Pricing / Purpose / Remarks
★ Energy Infrastructure Acquisition Corp	DVB, Deutsche Schiffsbank, SEB and Allied Irish	\$90	2.5 year term loan with an advance rate of 60%; Priced at 175 to 275 bps to finance 4 singlehull ships
★ Energy Infrastructure Acquisition Corp	DVB, Fortis, NIBC	\$325	9 year term loan priced at 135- 165 bps to finance 5 doublehull ships
★ Eagle Bulk Shipping	Royal Bank of Scotland	\$1,600	Amendment and restatement of existing facility; Priced at LIBOR+ 80- 105 bps due 2017
★ E. R. Schiffahrt GmbH & Cie KG	HSH Nordbank, Deutsche Bank as mlas, BNP, Commerzbank, Dresdner	\$753	To finance ten capesize bulkers to be delivered in 2010
★ Seenergy	Marfin Egnatia Bank	\$165	Secured term loan at L+150-175
Seenergy	Marfin Egnatia Bank	\$90	Revolving credit facility at L+225
★ Hansa Treuhand Schiffsbeteiligungs AG & Co.	Dresdner Kleinwort, Deutsche Schiffsbank AG	\$126	Term loan to finance 2x 4,250 TEU containerships; 3 years pre-delivery- and 15 years post-delivery-financing
★ AS Tallink Grupp	HSH Nordbank, Nordea Finland, Skandinaviska Enskilda Banken, European Investment Bank	\$208	To finance one of the largest ferries traversing the Baltic Sea, delivered July 2010
Neptune Orient Lines		Up to \$7,000	Concurrent with rumoured bid for Hapag-Lloyd, a deal that would form the world's 3rd largest container shipping group
DryShips	Dresdner Kleinwort, WestLB	\$80	7.5 year post-delivery term loan for capesize vessel

## 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
Pemex	ICP Capital as arranger		Purchase and 10 year bareback of 2x MR product tankers with purchase option at end
Chang Myung	Koenig/Scorpio	\$119.50	Sale and leaseback of 2008-built 170,000 dwt bulker for 5 years at \$48,000/day
Teekay Corporation	OPCO	\$106	Plus assumption of \$90m debt for 2x 2008-built lightering tankers on 10 year fixed rate charter to Teekay JV Skaugen PetroTrans
✓ Yang Ming Marine Transport	First Ship Lease	\$210	12 yr bareboat charter of 3x 4,250 teu container vessels with purchase options
Seadrill	Ship Finance International	\$850	15-yr sale and bareboat back of ultra deepwater drillship; Two fixed price purchase options after 51 months and 15 years;
Maersk	HCI Hammonia	\$300	Sale and bareboat back of 3 containerships for 10 years at undisclosed daily rates
I. M. Skaugen	Teekay LNG Partners	\$90	Sale and leaseback of 2x 12,000 cbm multigas carriers for 12 years at a fixed-rate with three five year extension options without fixed price purchase option
✓ West Asia Maritime	Mitsubish Corporation	\$110	Bareboat charter of 2 handymax bulkers for 12.5 years
Shell International Trading & Shipping	Capital Product Partners, Fortis as financial advisor	\$23	Ownership transfer and subsequent continuation of charter of 1x 12,000 dwt product tanker for 2 years at \$13,250/day
Geden Lines	First Ship Lease	\$140	Sale and leaseback of two 2007-built crude oil carriers for 10 years

## Jefferies – High-Yield Shipping Bonds

	Offer Price	YTW	STW	Maturity	Ratings	Call Date	Call Price
<b>SHIPPING</b>							
<b>Altus Group Ltd</b>							
11% Secured Notes due '13	101.000	10.65%	779	04/01/13	– / –	04/01/10	105.500
<b>Britannia Bulk PLC (BBPLC)</b>							
11% Senior Secured Notes due '11	111.350	4.44%	307	12/01/11	B1 / NR	07/24/08	111.305
<b>Great Lakes Dredge&amp;Dock (GREATL)</b>							
7.75% Sr Sub Notes due '13	94.000	9.18%	593	12/15/13	Caa1 / B-	12/15/08	103.875
<b>Navios Maritime (BULK)</b>							
9.5% Senior Notes due 2014	99.000	9.71%	630	12/15/14	B3 / B+	12/15/10	104.750
<b>Sea Containers (SCR)</b>							
10.75% Senior Notes due '06	48.000			10/15/06	WR / NR		
7.875% Senior Notes due '08	45.000			02/15/08	WR / NR		
12.5% Senior Notes due '09	45.000			12/01/09	– / –		
10.5% Senior Notes due '12	46.000			05/15/12	WR / –		
<b>Ship Finance International Ltd. (SHIPFI)</b>							
8.5% Senior Notes due '13	101.250	8.07%	528	12/15/13	B1 / B+	12/15/08	104.250
<b>Stena AB (STENA)</b>							
7.5% Senior Notes due '13	99.750	7.55%	432	11/01/13	Ba3 / BB+	11/01/08	103.750
7% Senior Notes due '16	96.750	7.53%	382	12/01/16	Ba3 / BB+	12/01/09	103.500
<b>Trailer Bridge (TRBR)</b>							
9.25% Secured due '11	92.000	12.25%	948	11/15/11	B3 / B-	11/15/08	104.625
<b>Ultrapetrol Limited (ULTR)</b>							
9% 1St Mortgage due '14	95.000	10.08%	668	11/24/14	B2 / B	11/24/09	104.500
<b>SUPPLY VESSELS</b>							
<b>Gulfmark Offshore (GMRK)</b>							
7.75% Senior Notes due '14	98.750	8.02%	467	07/15/14	B1 / BB-	07/15/09	103.875
<b>Hornbeck Offshore Services (HOS)</b>							
6.125% Senior Notes due '14	96.500	6.81%	341	12/01/14	Ba3 / BB-	12/01/09	103.063
<b>Seabulk International (SBLK)</b>							
9.5% Senior Notes due '13	104.900	7.02%	564	08/15/13	Ba1 / BBB-	08/18/08	104.750
7.2% Seacor Senior Notes due '09	101.000	6.27%	409	09/15/09	Ba1 / BBB-	any time	
5 7/8% Seacor Senior Notes due '12	96.500	6.85%	385	10/01/12	Ba1 / BBB-	any time	

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

	Offer Price	YTW	STW	Maturity	Ratings	Call Date	Call Price
<b>TANKERS</b>							
<b>Berlian Laju Tanker</b>							
7.5% Senior Notes due '14	64.000	17.63%	1,432	05/15/14	– / CCC+	05/15/12	103.750
<b>Golden State Petro (GOLDEN)</b>							
8.04% 1St Mortgage due '19	101.000	7.90%	394	02/01/19	Baa2 / BBB-	any time	MW + 37.5
<b>Overseas Shipholding Group (OSG)</b>							
8.75% Debentures due '13	104.500	7.71%	446	12/01/13	Ba1 / BB	any time	MW
7.5% Senior Notes due '24	92.500	8.37%	425	02/15/24	Ba1 / BB	NC	NC
<b>Titan Petrochemicals (TITAN)</b>							
8.5% Senior Secured Notes due '12	55.000	29.34%	2,649	03/18/12	Caa1 / B-	any time	MW + 100
<b>Teekay Shipping (TK)</b>							
8.875% Senior Notes due '11	105.500	6.81%	412	07/15/11	Ba3 / BB+	any time	MW + 50
<b>US Shipping Partners (USS)</b>							
13% Secured due '14	72.500	21.27%	1,791	08/15/14	Ca / CCC	02/15/11	106.500

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