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## INSIDE

**The Week in Review**

page 1

**Back to the Futures**

page 5

**Deal Tables &  
Bond Prices**

page 6

**Conference Schedule**

page 12

# The Week in Review

## Heard on the Street – Hamburg Special

This week we are in Hamburg for our 8th Annual German Ship Finance Forum and, as one might expect, this small in size but large in importance shipping center is undoubtedly feeling the pain. Largely focused on container shipping, the KG model, which is the unique and dominant financial product here, benefited from the buoyancy of the credit and shipping markets and is now exhibiting weakness and is in need of repair. But the situation cannot be described simply in black and white terms. Although the problems are prevalent and the continuous flow of bad news exacerbates it, there is an underlying belief that the problems will be solved and there is a future, albeit different. And whether that future is good or bad is irrelevant, it will be dealt with in Germanic style. Nevertheless there still remains uncertainty, some palpable fear, but hope also.

There were recurring themes in our discussions but it remains difficult to paint a clear picture. The following vignettes will hopefully provide you a sense or feeling of the mood and what is happening in this beautiful city where unexpectedly the sun was even shining on Tuesday.

## My Name is “Banker” and I Cannot Lend (At Least for the Moment)

The moment of catharsis is upon us. The inability to lend, at least in terms of new business, is now generally acknowledged and with that the first step to the cure has been taken. For months, no one has been willing to acknowledge this simple truth which in many cases suspended belief and made many institutions the brunt of jokes. As they say, the truth will set you free.

With that issue set aside, there remains the question of the banks honoring commitments. The majority of banks are living up to their commitments but there are rumors of some banks behaving badly. From one borrower we heard that one of the largest banks, despite its well-known difficulties has stepped up and continues to abide with its agreements. In the interest of full disclosure we must, however, admit that this borrower is a major shipowner here in

Hamburg. Here we suspect the law of the jungle applies and those owners not so well placed are the ones not faring as well with their banks. Banks should be wary for owners' memories are long and when the market turns those that behaved badly will most certainly be left out.

## The Highest Stakes Poker Game In the World

In the German world series of poker, there are four players left, the owners/charterers, the emissionshauset, the banks and the shipyards in Korea and China where many new-building containerships are being or scheduled to be built. Perhaps in the background is the government acting as a kibitzer<sup>1</sup> for the moment but who may have to take a seat if the impasse between the parties continues. Billions of Euros are at risk as owners seek to renegotiate the shipbuilding contracts with an eye on postponing or deferring deliveries. No one has spoken yet of cancellation, as far as we know.

Loose credit and booming shipping markets are too blame for this problem. Like drugs, it is hard to say no once hooked. In this instance, the emissionshauset joined forces with the sponsors to order newbuilding containerships in the main against long-term charters. The banks financed 100% of these projects, which utilized SPVs, by agreeing not only to provide the mortgage debt but also funding the equity, including capitalized interest, as yard installments were due. Securing the latter were equity bridge guarantees given with the expectation that the equity for the transaction would be sold within the year. Unfortunately the credit crisis and the resulting economic recession intervened. The freight market collapsed and equity all but disappeared.

Although we were reminded that financial crisis had previous roles in historic economic crisis, none have been of this magnitude. So unable to find a solution domestically, daily flights to Asia from Hamburg began to be filled with owners, initiators, lawyers and advisors in an effort to renegotiate the contracts. Unfortunately, they were not welcomed with open arms by the Chinese and Korean shipbuilders.

<sup>1</sup> In Yiddish one who looks on and offers unwanted advice or comment.

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Although we understand the Chinese to be somewhat more accommodating, the Koreans thus far have been slower to come to terms, which is understandable for a number of reasons. First and foremost, these are contracts, which the parties are obligated to fulfill. Historically, the Koreans have been strict in fulfilling their obligations. One need only be reminded that many of these very same contracts were signed based upon significantly lower steel prices which subsequently soared through the roof and have only recently returned to earth. No one from Asia jumped on a plane to ask for a price adjustment. On a higher level this is about culture and honor. There may even be pressure from the Korean government and banks to hold the line. But perhaps even more significant is the risk of cutting a deal with just one. All would have to be treated equally leading to a flood of renegotiations.

In the interim, all the funds guarantees are being restructured with the bridge loans being extended against additional security. We can picture a smoke-filled room with the players trying to figure out who is bluffing. Unfortunately the reality is there is no equity, the banks are stretched and the only way to salvage the situation and to come out close to whole with the least pain is to defer deliveries. Neither cancellations nor intransigence gain anything in the long run. On the other hand, massive cancellations, as some predict, would have an immediate positive impact on the market in the short-term. We would, however, expect that this action would impair these relationships in the long run. However a bull market has been known to cure all. And we have seen in the recent cycle that institutions are subject to periods of short-term memory loss and life may very well go on.

### **Term of Art**

In America, the expression is “too big to fail.” Here in Germany they use “system relevant”, which to us is more appropriate, understated and to the point. As of now the banks are supporting the initiators including the three largest, HCI, MPC and Lloyd Fonds. The unanswered question is whether the banks have the wherewithal to support these key players on their own? As the deals done were non-recourse, there is little choice in the matter but the question of capacity overhangs the situation.

As is the case in America, government intervention, if necessary and available, will have to deal with the hot political issue of salvaging a system that benefits high net worth individuals, which represent a minority (~20%) of the population.

### **KG Kaput?**

The answer quite simply and resoundingly is no. There is just too much liquidity in Germany and the KG investment, with its asset focus, holds an important position in the investment portfolio of wealthy individuals. And perhaps even more importantly, these

closed end funds have retained more value than other investments although dividends are certainly coming down. On the other hand, do not look for annual placement volume of EUR 3 billion+ in shipping in the future.

As described above, the issue, for the moment, seems to be restricted to newbuilding projects. Although the consensus suggests the equity markets are dead, others say deals are being placed but at a very slow pace. It depends on with whom one is speaking.

What is certain however, provided the current experience is not forgotten and institutional memory remains in place, is that financial structures for newbuildings will be different. On a superficial level we would surmise that deals will no longer be 100% financed without a larger degree of recourse, leverage on the mortgage loan will decline, the fee structure will be modified and perhaps investors will even look at blind pools. In short, risk sharing will be adjusted.

### **Truth, Justice and the Old Fashioned Way**

In the midst of doom and gloom, there are rays of sunshine. We had the opportunity to meet with a small privately held bank whose loan book represents approximately 16% of its total assets with the balance largely customer deposits. Funding clearly is not an issue. There are no interbank loans, no syndication and no capital markets activity. The ROE is an astounding 37%.

As this is Hamburg, ship lending is an important activity and they approach it, as you might expect conservatively. They are relationship bankers and their main focus is on the owner, which they define as the user of the vessel as opposed to for instance a financial owner, and asset life. They don't do newbuildings and syndication is not part of their strategy. As a result, the loan book comprises mainly bilateral loans of second-hand tonnage.

If all bankers had stuck to their knitting, as this institution has, the world might be a different place today.

### **A Different World**

We were reminded in a wide-ranging discussion with the principal of an Emissionshaus that markets have to be put in perspective. There is no new paradigm we have learned, however looking at markets historically and out of their context may not be correct. In this instance we were discussing the extraordinarily low freight market of the 1980s. We were gently admonished that the world has changed drastically in the intervening period. World population has grown exponentially and consequently there are more consumers consuming more. In this context is looking back at the 1980s or 1990s for future guidance particularly relevant? Clearly, it is on the supply side but recovery is demand driven. We remain uncertain but the future may very well bear him out.

### Bright Spots

On the positive side, we can report on two deals that were announced this week.

#### Navios Clears Up Uncertainty

Navios Maritime Holdings shored up its balance sheet and cleared up any concerns about its ability to finance its remaining acquisitions. Despite difficult credit conditions, the company obtained \$353.5 million in debt financing with favorable terms.

The financing includes:

- 10-year term financing for \$120.0 million, secured at 60% of original vessel values and interest at LIBOR plus 190 bps to partially finance the acquisition of two Capesize newbuildings;
- 3-year term convertible debt for \$33.5 million with a coupon of 2% and a conversion price of \$11.00 per share (Wednesday's mid-day price \$2.37) to partially finance the acquisition of the Navios Vega (delivered this month); and
- 2-year revolver for \$200.0 million in total, with interest at LIBOR plus 275 bps to be used for general corporate purposes.

And even with this new debt in place, Navios still has the ability to return capital to its shareholders in the form of dividends and buy-backs. If by chance we had any doubts, we certainly feel vindicated in nominating **Ms. Frangou** and her team as dealmaker of the year.

*“The land does not belong to us – we borrow it from our children.”*

**Grindrod Limited**, the JSE listed shipping and logistics business, announced a Broad Based Black Economic Empowerment (“BBBEE”) transaction resulting in the sale of 25% plus 1 share of its subsidiary, **Grindrod (South Africa) (Pty) Ltd** (“GSA”) to **Calulo Petrochemicals (Pty) Ltd** (“Calulo”) (15%) and **Adopt-a-School Foundation** (“AAS” or “the Foundation”) (10%) by way of the issuance of new equity for a total consideration of R274 million.

GSA includes the majority of Grindrod's 100% owned South African based operations, and the following businesses in particular:

- **Grindrod Terminals**, comprising the dry and liquid bulk product terminal operations located in or adjacent to the ports of Richards Bay, Durban and Cape Town;
- **Grindrod Intermodal**, comprising container freight logistics operations which extend to container handling, storage, warehousing, transportation, sales and leasing; and
- **Grindrod Logistics**, comprising automotive logistics and storage operations, dry and liquid bulk transportation, perishable cargo clearing and forwarding and the provision of complete supply chain solutions in the furniture and durable goods sector.

In negotiations with possible partners, Grindrod balanced its need to incorporate strategic commercial partners into the business as well as supporting the sustainability of worthy broad based enterprises. Grindrod's intention in implementing a transaction was not only to comply with the Codes of Good Practice on BBBEE, but also to establish a sustainable social investment that will make a difference in the lives of disadvantaged South Africans.

Incorporated in 1999, Calulo is a black owned and controlled company, which has developed a focused investment and operational niche in the oil and chemicals sectors and in the related bulk logistics services arena.

The third party in this transaction, Adopt-a-School Foundation, fits very well with Grindrod's social responsibility focus, which has always been to support education initiatives. This is the first such transaction to be concluded by the Adopt-a-School Foundation and will ultimately create sustainability for this organization, who's current model relies entirely on donations from third parties.

The transaction structure has largely been vendor financed by Grindrod, with the exception of an own equity contribution by Calulo. AAS's investment in GSA has been 100% vendor financed by Grindrod, which in addition to the main vendor financed structure, includes an interest free loan of R10 million that will remain in place for the full lock-in period. The Grindrod vendor financing, facilitated by means of a preference share structure, has been provided at a market related facilitated rate appropriate for transactions of this nature.

### Secondary Opportunity

The German Ship Finance Forum followed last years' pattern of commencing with a half-day seminar. This year's topic was focused on opportunities in secondary markets. Chairman **Michel Bourgerly** of **DVB** started things off with a brief overview of the markets. Based upon his successful prognostications in the past, we listened carefully as he suggested that listed companies would be taken private. He bases this upon the fact that there is no re-cycling of equity and they are locked-in loss making position. Moreover, limited visibility and overall pessimism are also factors. For those who have no fear, he suggested taking a position in the tanker market was too early as the one-year t/c rate is greater than the three year. For bulkers, the time to go shopping will be this summer.

**Dr. Albrecht Gundermann** of **Salomon Invest** took the audience through the secondary market in KG funds, which is relatively new. Historically, once you joined the party you could not leave it. Trading remains limited but there is a real market with real prices. Right now it is a buyers' market. With a total market of EUR 30 billion, only 4% has been traded.

**Pareto's Peter Wallace** next gave his insights into the IS/SPC (formerly the K/S) market. The size of the market is approximately \$15 billion and is split evenly between shipping and offshore. The basic structure is a limited partnership which has both paid-in and uncalled capital. No longer tax-driven, this product is extremely flexible and can be designed in any form that makes economic sense to the participants. It is an ideal alternative when public equity is difficult or expensive or when the asset is trading below NAV. Investors like it because:

- There is no management risk
- You can pick the asset you want
- The structure is transparent
- A trigger clause allows the holders of 15-25% to cause a sale
- There is a liquid secondary market
- The price to put the project in the market is relatively cheap at 3-4% of the cost of capital

From the other side of **Pareto**, **Oyvind Hamre** explained the Norwegian bonds. Although the issuers are primarily Norwegian, these bonds are sold mainly to U.S. and U.K. investors, as Norwegians prefer investment grade. 83% of the issuance is in the oil and offshore sector. The bonds represent four levels of the capital structure ranging from subordinated (largely convertible bonds), to senior unsecured, to 2nd priority and finally 1st priority in order of risk from highest to lowest. In 2008, the average cash price was 58% with a yield to maturity of 30-40%. Sellers were highly motivated due to fund redemptions, margin calls on leveraged portfolios and hedge funds closing.

**Craig Fuehrer** of **Deutsche Bank** was enlisted to talk about the equity markets. Equity issuance is off as the market suffers a "massive confidence correction," resulting from volatility and risk aver-

sion. Shipping has been at the forefront of this problem. Nevertheless, deals are getting done. These transactions generally involve either an accretive acquisition or to shore up the balance sheet. Investors are holding unprecedented levels of cash and are reluctant to re-invest. In terms of numbers, 40% of investors are overweight cash and are holding cash of 50-60%. Right now they are buying bonds and getting a priority in the capital structure. Purchasers of U.S. investment grade debt are not looking so much at multiples but instead are picking survivors. Before going back into equities, they are looking for a catalyst and some stability in the bid level. Selling a deal these days involves using the Asian model of pre-selling and getting the commitments of the institutional investors before going to the market.

Speaking of Norwegian shipping and offshore public equities, **Bern Blikstad** of **DnB NOR** highlighted the positives. Norwegian equities are cheap, offshore fundamentals remain good and capital markets are showing improvement. He feels markets will improve when people get tired of earning 0.5% on their money. He also reiterated that there is capital out there but pricing is far different than before. Levered equity returns are at 25% and the debt you borrow will carry a spread in excess of 2%.

Last but not least was **John Parker** of **Jefferies** who spoke on the U.S. high yield market. He highlighted the attractiveness of equity returns in high yield these days. The audience was also curious about the secondary trading of bank debt. The only debt that is trading currently is that of **U.S. Shipping Partners**. There is however no liquidity or back trade.

All in all it was an extremely well attended seminar, which set the stage for the main event, which we will report on next week.

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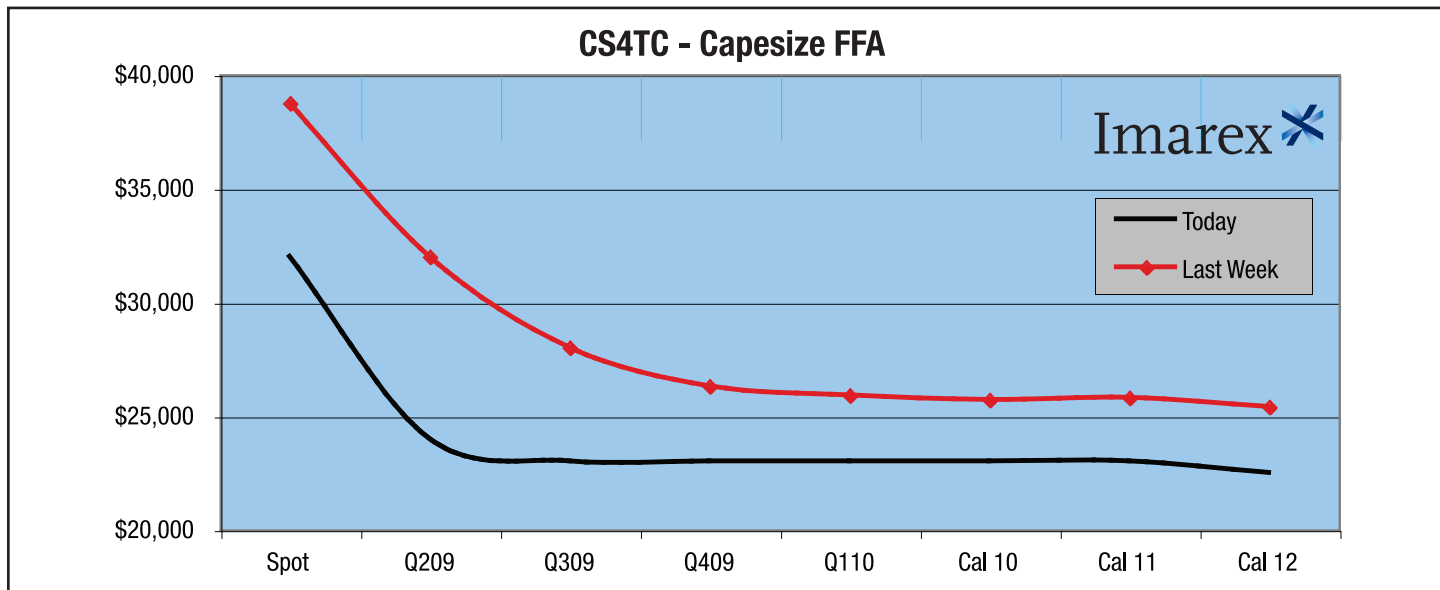
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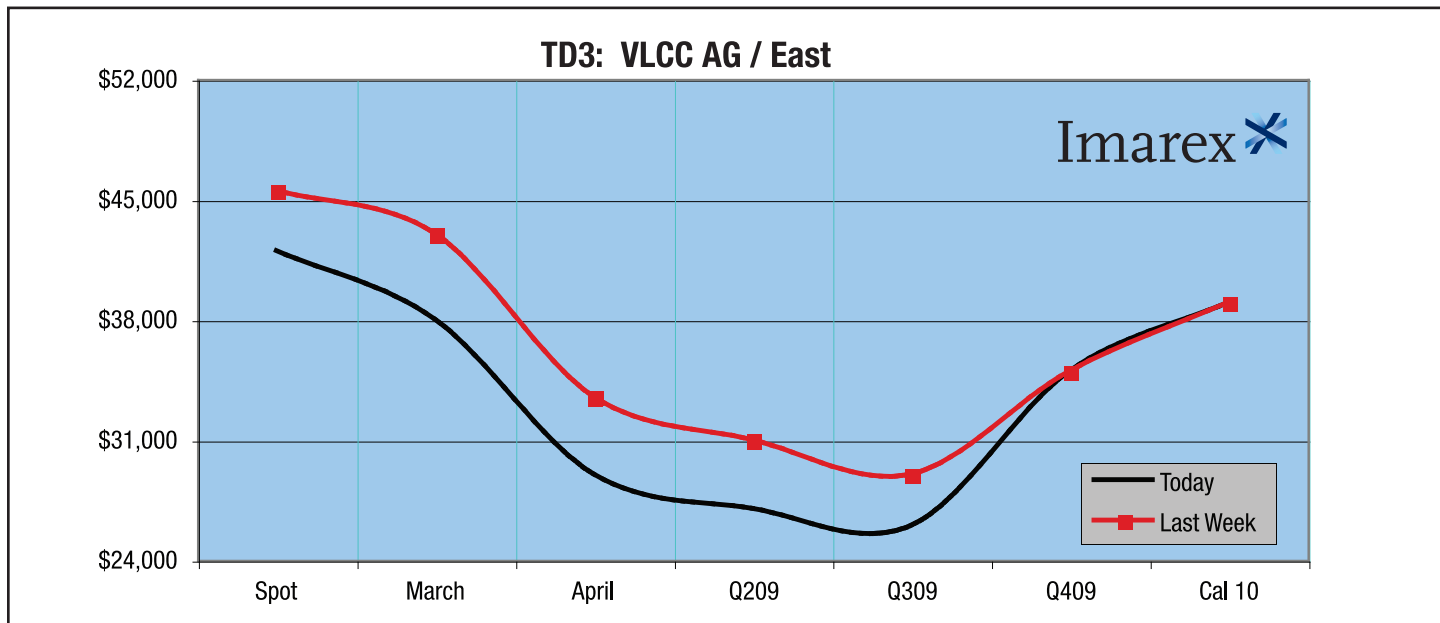
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# Back to the Futures

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



We continue to see mixed signals in dry bulk – though rates and sentiment have come off since last week. The demand surge of the past month or so still invites debate as to whether the buying spree will be sustained or short-lived. The big picture is further clouded by the ore negotiations, which can be expected to intensify in due course. Cape earnings are still at moderate levels – with the spot average at about \$32,000. In the face of a good sized orderbook and a real possibility of declining demand, however, there is reason to worry. Yet, the word of the day is “stimulus” and every government across the globe is looking to force feed more money into the system. It just might work, though it’s never been tried on a scale this large. FFA volumes have been light – as the futures market tries to interpret the many cross currents that make up this segment. The equities maintain their volatile ways, as we witnessed EGLE make a steroidic 50% bounce on Tuesday, due to, among other things, an upgrade from Wachovia’s Justin Yagerman.




Tanker activity remains on the slow bell as positions build and potential cargos are still waiting in the wings. We have now seen about 27 March cargos concluded, leaving a hefty number of liftings even if demand falls below the monthly norm. All things considered, tanker earnings have held up quite well over the past few months, and even years, with the VLCC sector earning levels close to about \$45,000/day in today’s market. The delivery schedule looks daunting in the face of continually reduced demand forecasts, inviting more bears to the party. FFA volumes have been light alongside the quiet physical. The balance of 2009 still looks bleak if you believe those with crystal balls, as the forward curve shows the balance of 2009 at a TCE of about \$33,000/day. The share price of FRO has come under continued pressure, as the sector’s Alpha Male cut his once mighty dividend to \$0.25 for Q4.

# 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
★ 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
World Nordic SE			BW Gas	May seek to make offer to minority shareholders to take BW Gas private
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
Hapag-Lloyd	Lazard, Citi, Deutsche, Greenhill, HSH; JP Morgan for NOL as potential buyer	\$5,900	For Sale	Albert Ballin consortium: City of Hamburg, Klaus-Michael Kuhne, HSH Nordbank, MM Warburg, Signal Iduna, Hanse Merkur; On hold
Liberty Shipping Group	Jefferies	\$308	International Shipholding Group	Offer for all outstanding shares of the Company's common stock for \$25.75 per share, in cash; Abandoned
Vesterhavet-DSV		\$140	DFDS	Through a share exchange, DSV and JL-Fondet establish a joint holding of 56% in DFDS
Northern Shipping Fund I LLC		\$112	Northern Navigation and MTMM JV	To invest and provide alternative finance in the maritime and offshore service sector

## 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
✓ STX Panocean		\$107	8.20%	2011	Straight bond issue for working capital	In Progress
✓ China Shipbuilding Development		Up to \$732			To finance newbuildings and repay bank loans	In Progress
Alexander & Baldwin	Prudential	\$100	6.90%	2020	Extension of shelf agreement through 2009. Proceeds to pay down revolver	Pending Approval
Oceanografia	Morgan Stanley, Citi, Dexia, Baker & McKenzie	\$335		2016	144A bond secured by 7 vessels. Proceeds to service existing debt and new acquisitions. Co. rated B+	Done
✓ China Cosco		Up to \$1460		2019	For working capital and repay bank loans	In Progress
✓ China Shipbuilding Industry Corporation	China Construction Bank and CICC	\$439	3.90%	2012	To enhance shipbuilding and ocean engineering capacity, repay bank loans	Done
BD Ferries	Undisclosed syndicate of investment banks	\$140	6.21%	2012	Undisclosed	In Progress
✓ Sinotrans Ltd		\$219	3.60%	2012	To fund construction of strategic logistics infrastructure projects in the Pearl River Delta, the Yangtze River Delta and the Bohai Bay area	In Progress
Noble Group	9 bank deal led by Goldman Sachs, Citi and SunTrust Robinson Humphrey	\$250	7.74%	2014	Senior unsecured notes to pay down \$183m including loans maturing in March	In Progress

## 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
★ Star Bulk Carriers Corp.		\$250	Shelf registration to issue various securities	Effective
Hurtigruten		\$46	Oslo listed specialty cruise operator looking to raise fresh funds; Approved by bondholders after delay due to creditor consent issues. Pending final approval on 2/20	In Progress
STX Europe (formerly Aker Yards)			Applied for delisting from Oslo Stock Exchange	Done
DVB Bank		\$250	Closed-end fund to focus on opportunistic investments in shipping & offshore. Existing vessels < 15 years. Targeting \$300-400 MM from 5-7 institutional investors.	Launched
OceanFreight	YA Global Master SPV	Up to \$148	Entered into purchase agreement to sell shares over 2 years. Initial proceeds to repay debt related to seller's credit from Economou affiliate	In Progress
Compania Sud Americana de Vapores		\$200	Share sale approved by shareholders in effort to benefit from cheap charter rates and low cost container vessel acquisitions	Approved
BW Gas	Fondsfinans ASA	\$720	Purchasing Bergesen from parent Nordic SE for new shares. Rights offering also to minority shareholders	Announced
Seaspan	Tudor, Pickering & Holt, Vincent & Elkins	\$200	Preferred share issue by company's original sponsors Washington Group and Tiger Group; 1st tranche done	Done
Fairstar Heavy Transport	ABG Sundal Collier as mla	\$11	Rights issue to share holders and new issue to bondholders. Proceeds to redeem bonds, both partially underwritten	In Progress
✓ Penguin International	Kim Eng Securities	\$4	Completed its 1 for 4 rights issue. Priced at S\$0.05 per rights share.	In Progress

### Restructuring Deal Table

★ = New

📄 = Updated

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

Company	Advisors	Banks	Comments
★ American Commercial Lines		Wells Fargo, Bank of America, JPMorgan, Fortis, National Association	2 year extension of \$550m facility provides for initial reduction to \$475 with annual reductions thereafter. LIBOR spread increased to 550bps with annual 50 bps increase. Fixed charge coverage and total leverage covenants tightened.
	Wighams Capital Partners/ MPC Longberry		Debt restructuring advisory practice formed.
C& Heavy Industries	Lazard, Mirae Asset Securities	Woori Bank	2 PE funds emerge as buyers. Creditors agree to extend workout by one month by rolling over debt.
Oceanaut			Excel sponsored SPAC intends to liquidate and pay out approximately \$8.27 per share. Excel as owner of 20% will write-off \$6m of original \$11m investment.
Excel Maritime			Suspension of dividends concurrent with announcement of two charterers' unilateral decision to reduce hire on 3 vessels by 50%.
Star Bulk			LTV waivers through 2009 obtained in exchange for cash collateral and mortgages on unencumbered vessels. Margin increased to 2%. Dividends and buybacks suspended.
Global Ship Lease		Fortis, Citi, HSH Nordbank & DnB NOR	LTV increased to 100% thru 4/10; Dividends restricted if over 90%. Margin increased by 50 bps; Amortization begins year earlier in 12/11
Golden Ocean			Cancelled contracts & charters create need for capital; Main shareholder willing, provided covenants amended to include value of charters in net worth
Safe Bulkers			Cut dividend to prudent level. Seeks to amend LTV to include value of charters

**Bank Debt Deal Table**

★ = New

✎ = Updated

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

Borrower	Arrangers / Buyers	Amount (US\$ M)	Pricing / Purpose / Remarks
★ Navios Maritime Holdings	Deka Bank, Marfin, Egnatia Bank	\$354	10yr \$120m term loan to partially fund 2 capesize newbuildings, 3yr \$34m convertible loan to fund . Navios Vega, 2yr \$200m revolver for general corporate purposes. Spreads range from 190-275 bps. Facilities fund all remaining acquisitions
Aegean Marine Petroleum	HSH Nordbank, Royal Bank of Scotland	\$300	2 yr senior secured revolving and L/C facility. LIBOR+ 50 bps for L/C, +150 bps for Standby L/C, +250 bps for direct borrowings.
Arkas Group	KfW IPEX Bank	\$68	12 yr loan to finance 2x 1,600 teu new building boxships to be delivered in July and September 2009; CIRR hedges rate fluctuations.
BC Ferries	KfW	\$86	12 yr loan at 2.95% rate to fund construction of ferry newbuilding
Lamalco Group	Standard-Chartered Bank, Rabobank, ING	\$125	To refinance existing fleet of 15 AHTS vessels and for new acquisitions
Scorpion Offshore	HVB	\$169	Subsidiaries secure financing for remaining progress payments and to re-finance bridge loan for Offshore Freedom. Two tranches amortizing over an average period of 4 years
Stena	Citi, Korea Export Insurance Corporation, Eksportfinans; Watson, Farley & Williams as advisors to Citi	\$850	Pre- and post delivery financing for new drillship built at Samsung in Korea for delivery in 2011
Pacific Drilling and Transocean	DnB NOR and Fortis as mlas	\$1,200	To help fund two drillships building in South Korea
✓ Yang Ming Marine Transportation	13 banks including Mega International Commercial Bank, Taipei Fubon Commercial Bank	\$480	20 year loan

**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
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
Berlian Laju Tankers	Jointly by DnB NOR Markets and R.S. Platou Finans	\$107.75	Sale leaseback for 2x chemical tankers for 12 years
Odfjell Group	nabCapital (National Australia Bank Limited) , MDT	\$84.50	Sale-leaseback of Bow Sky.11 year operating lease using UK cross border lease.
Pemex	Blue Marine/ ICP Capital	\$121	Sale and leaseback of 2x 40,000 dwt product tankers for 10 yrs with purchase options at end
✓ Woo Min Shipping	ABG Sundal Collier ASA	\$88	Sale and leaseback for 3x chemical tankers for 8 years
Golden Ocean Group	Undisclosed	\$65.30	10 yr sale and bareboatback of Q3 2009 newbuilding delivery; \$21,975/day, fixed price purchase option in 3 yrs and every year after until contract matures; \$40m option in 10 yrs

## Jefferies – High-Yield Shipping Bonds

	Offer Price	YTW	STW	Maturity	Ratings	Call Date	Call Price
<b>SHIPPING</b>							
<b>CMA CGM (CMACG)</b>							
5.5% Sr Unsecured due '12	40.000	40.37%	3,869	05/16/12	– / BB-	any time	MW+50
7.25% Sr Unsecured due '13	46.458	32.21%	3,060	02/01/13	– / BB-	02/01/10	103.625
<b>Great Lakes Dredge&amp;Dock (GREATL)</b>							
7.75% Senior Notes due '13	84.000	12.25%	1,041	12/15/13	Caa1 / B-	03/27/09	103.875
<b>Excel Maritime (EXM)</b>							
1.875% Sr Unsecured due '27	20.000	35.85%	3,386	10/15/27	– / –	10/22/14	100.000
<b>Horizon Lines (HRZ)</b>							
4.25% Sr Unsecured due '12	48.370	28.74%	2,725	08/15/12	Caa1 / B-		
<b>Navios Maritime (BULK)</b>							
9.5% Senior Notes due '14	59.500	22.25%	2,022	12/15/14	B3 / B+	12/15/10	104.750
<b>Royal Caribbean Lines (RCL)</b>							
8% Sr Unsecured due '10	83.750	24.14%	2,338	05/15/10	Ba2 / BB		
8.75% Sr Unsecured due '11	75.625	25.49%	2,452	02/02/11	Ba2 / BB		
7% Sr Unsecured due '13	58.079	22.78%	2,108	06/15/13	Ba2 / BB		
6.875% Sr Unsecured due '13	55.833	22.42%	2,059	12/01/13	Ba2 / BB		
5.625% Sr Unsecured due '14	47.000	25.83%	2,369	01/27/14	Ba2 / BB		
7.25% Sr Unsecured due '16	50.250	20.77%	1,847	06/15/16	Ba2 / BB		
7.25% Sr Unsecured due '18	48.675	19.56%	1,694	03/15/18	Ba2 / BB		
7.5% Sr Unsecured due '27	48.000	16.59%	1,349	10/15/27	Ba2 / BB		
<b>Ship Finance International Ltd. (SHIPFI)</b>							
8.5% Senior Notes due '13	75.000	16.18%	1,434	12/15/13	B1 / B+	03/27/09	104.250
<b>Stena AB (STENA)</b>							
7.5% Sr Unsecured due '13	70.750	16.76%	1,496	11/01/13	Ba2 / BB+	11/01/09	102.500
7% Sr Unsecured due '16	67.250	14.06%	1,168	12/01/16	Ba2 / BB+	12/01/09	103.500
6.125% Sr Unsecured due '17	54.000	16.85%	1,405	02/01/17	Ba2 / BB+	any time	MW+50
5.875% Sr Unsecured due '19	50.000	16.14%	1,314	02/01/19	Ba2 / BB+	any time	MW+50
<b>Trailer Bridge (TRBR)</b>							
9.25% Sr Secured due '11	82.000	18.98%	1,772	11/15/11	B3 / B-	03/27/09	104.625
<b>Ultrapetrol Limited (ULTR)</b>							
9% 1St Mortgage due '14	65.000	19.34%	1,734	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
<b>SUPPLY VESSELS</b>							
<b>Gulfmark Offshore (GMRK)</b>							
7.75% Sr Unsecured due '14	79.000	13.33%	1,138	07/15/14	B1 / BB-	07/15/09	103.875
<b>Hornbeck Offshore Services (HOS)</b>							
6.125% Senior Notes due '14	75.000	12.30%	1,028	12/01/14	Ba3 / BB-	12/01/09	103.063
<b>Seabulk International (SBLK)</b>							
9.5% Senior Notes due '13	100.000	9.50%	833	08/15/13	Ba1 / BBB-	03/27/09	104.750
7.2% Sr Unsecured due '09	100.000	7.19%	667	09/15/09	Ba1 / BBB-	any time	
5.875% Sr Unsecured due '12	89.000	9.56%	804	10/01/12	Ba1 / BBB-	any time	
<b>TANKERS</b>							
<b>Berlian Laju Tanker</b>							
7.5% Senior Notes due '14	22.000	51.99%	5,007	05/15/14	- / CCC+	05/15/12	103.750
<b>Golden State Petro (GOLDEN)</b>							
8.04% 1St Mortgage due '19	109.140	6.76%	397	02/01/19	Baa2 / BBB	any time	MW+37.5
<b>Overseas Shipholding Group (OSG)</b>							
8.75% Sr Unsecured due '13	89.000	11.83%	1,001	12/01/13	Ba1 / BB	any time	MW
7.5% Sr Unsecured due '24	72.000	11.45%	849	02/15/24	Ba1 / BB	NC	NC
<b>Titan Petrochemicals (TITAN)</b>							
8.5% Senior Notes due '12	25.000	72.42%	7,104	03/18/12	Caa2 / CCC-	any time	MW+100
<b>Teekay Shipping (TK)</b>							
8.875% Senior Notes due '11	95.000	11.32%	1,018	07/15/11	B1 / BB	any time	MW+50
<b>US Shipping Partners (USS)</b>							
13% Sr Secured due '14	20.000	74.43%	7,247	08/15/14	C / NR	02/15/11	106.500

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