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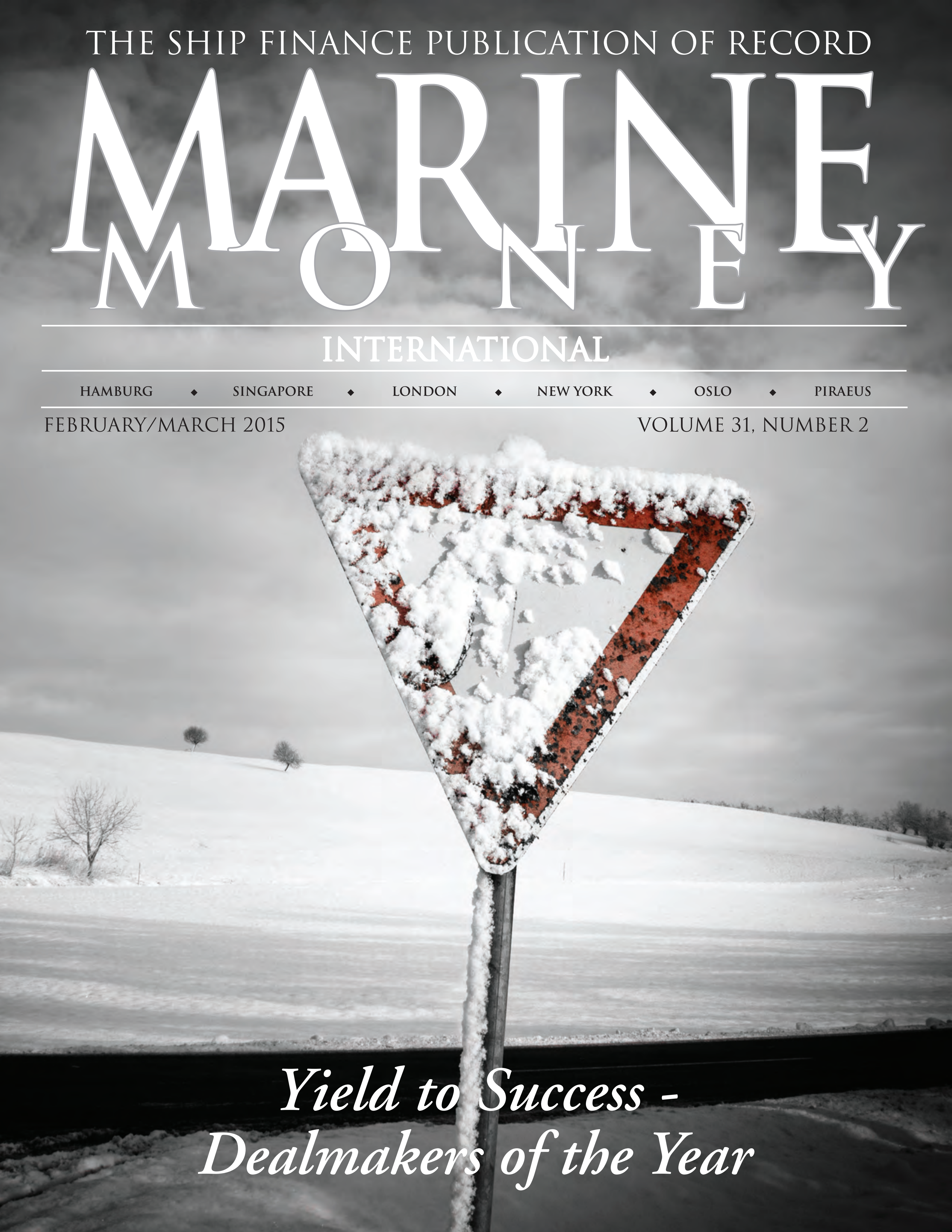

Yield to Success - Dealmakers of the Year

NO NORWEGIAN CONNECTION. NO OPERATING HISTORY. NO PROBLEM.

NORWEGIAN BOND MARKET DEAL OF THE YEAR

By George Weltman

Transaction: Ridgebury Crude Tankers $210 million 1st Lien Senior Secured Bonds
Winner: DNB Markets

A review of the nominations for deal of the year in this category reflects the vicissitudes of the credit markets which began strongly but then weakened as a consequence of an uncertain economy, geopolitical concerns and declining oil prices. The supply of shipping deals was not robust this year as this market is more typically offshore focused. Of course, the decline in oil prices may well change that in the future. Nonetheless there were a number of very interesting shipping deals done mainly in the first half of the year. In an offering led by DNB, Nordea, and Swedbank, Stolt-Nielsen successfully placed a 7-year NOK 1.25 billion ($207 million) bond. This substantial and long-dated issue was priced at a competitive spread significantly below the existing secondary market curve. A debut issue from Exmar NV also caught our eye. In a deal led by DNB and Pareto, the company issued NOK 700 million ($114 million) of 3-year senior unsecured bonds in an upsized offering, which priced mid-range and was well-covered.

In support of the winning transaction, a banker wrote the following: "We took a company with zero operating history and got them a bond with 70% advance rate, zero amortization and a coupon of 7.625%. The bonds currently at 101/102 proved that we got the price right…" Our version of the deal is more prosaic and wordy, but we think worth repeating. Here is what we wrote in Freshly Minted edited to sustain interest:

In a deal led by DNB, Ridgebury Crude Tankers LLC successfully placed a $210 million Senior Secured Bond in Oslo and they did it mainly without Scandinavian investors, which is typical for a dollar-denominated Norwegian-style high yield bond. Marketed to a broad range of global investors, the issue was significantly oversubscribed with demand from more than 70 investors. And why not? The deal is based on the crude story, is backed by Riverstone Holdings, a major energy focused $27 billion private equity firm, and, for all intents and purposes, is documented as a senior secured bank loan, with the risks mitigated by the security package and three-year term. In an interesting sleight of hand, the company carved up the fleet, offering investors only crude tanker exposure, the current flavor of the month. However, while not directly on the hook, affiliate Ridgebury Tankers LLC, the owner of the six MRs, with an average age of 5.4 years, will indirectly support the transaction through the holding company and parent company guarantees. Pricing was meaningfully tighter than initial price indications coming in at a 7.625% coupon.

The net proceeds of the offering will be used to fund the reserve account with a minimum of $10 million and to finance the seven Suezmax tankers, of which two are delivered with the other five scheduled for delivery in April/May. Constructed in Japan and Korea, the Suezmaxes have an average age of 6.4 years and were appraised at $302.3 million giving an LTV of 69.5%. Proceeds of the loan together with a cash equity contribution of

$17.5 million, will be used to fund the five vessels to be delivered ($179.4 million, related working capital ($7.5 million), refinance the debt on one vessel ($25.6 million), fund the reserve account and pay transaction fees and expenses ($5 million). All seven vessels will be employed in the Heidmar Blue Fin Suezmax Pool and will be technically managed by third party technical managers, primarily Bernard Schulte Shipmanagement. More details of the offering are shown below in the Guts of the Deal.

The security package supporting the transaction is as tight as any done for a bilateral loan. It incorporates the standard 1st lien security package including cross-collateralized 1st mortgages on the seven Suezmax tankers, share pledges from the vessel owners, account pledges, assignments of earnings, pool agreements, employment contracts, management agreements and insurances. Cash has no way of escaping with an account structure that includes an earnings account, retention account, operating account, general expenses account and reserve account. With respect to the reserve account, there has to be a minimum amount standing of $7.5 million, with amounts standing over $12.5 million considered excess cash. Excess cash can be applied to the redemption of up to $10 million of bonds annually at par or the acquisition of additional vessels provided that the asset cover immediately after the purchase is above 165%.The covenants and undertakings in the agreement are standard for a transaction of this type and include restrictions on dividends and financial indebtedness as well as collateral covenants. The financial covenants are typical of a bond offering and include a minimum Asset Cover Ratio of 125% and a Value Adjusted Equity Ratio of 25% on a consolidated basis. And finally, the last line of security comes from the Parent and Holding Company guarantees which are supported by the well-capitalized product carrier fleet and cash flows.

The aforementioned legal security is in place in the event things do not go according to plan, however loan repayment is contingent on adequate cash flow and Ridgebury has attempted to ensure that. Through careful timing of its purchases, the company has achieved highly favorable breakeven rates, with an all-in cash cost, inclusive of Opex, interest and SG&A below historical one year t/c rates since 2000. Moreover, it has chosen to employ the vessels, at premium levels based upon their rating, in the Blue Fin Pool, where average pool earnings have consistently exceeded estimated vessel cash break-evens. That leaves a three year window of opportunity for a liquidity event or a refinancing of the bonds.

There's little we can add to this award other than to marvel at the successful execution of a well-structured transaction. Both DNB and Ridgebury had to be pleased with the outcome.

GUTS OF THE DEAL

Issuer	Ridgebury Crude Tankers LLC
Amount	$210,000,000
Notes Offered	1st Lien Senior Secured Notes
Coupon	7.625%
Issue Price	100.00%
Maturity Date	20-Mar-2017
Amortization	Repaid in full at maturity at par
Optional Redemption	NC-1.5, year 1.5-2@104, year 2-2.5@102 2/3, year 2.5-3@101 1/3
Guarantees	RT Holdings (Parent), Ridgebury Holdings (Midco), vessel owners
Ranking	Senior debt secured on a first priority basis over the Security Vessels and certain other assets. Bonds will rank at least parri passu with all other claims of the issuer other than those manditorily preferred by law.
Security	Standard 1st lien security, including inter alia mortgage over the Security Vessels, share pledges, account pledges and assignment of earnings, pool agreements, employment contracts, management agreements and insurances
Undertakings	Traditional bank undertakings and covenanats
Financial Covenants	Asset Cover Ratio of a minimum of 125%. Value Adjusted Equity Ratio of minimum of 25%.
Dividends	None permitted
Change of Control	Put at 101%
Use of Proceeds	Fund the Reserve Account with $10MM and fund the acquisition of the 7 Original Vessels, all Suezmax tankers with any surplus transferred to the reserve account
Shadow Credit Rating-DNB	B-/B
Sole Manager	DNB Markets
Issuer's Counsel	Wikborg, Rein, Seward & Kissel
Purchaser's Counsel	Advokatfirmaet BA-HR DA
Governing Law	Norwegian
Accountants	Deloitte
Incorporation	Marshall Islands
Listing	Nordic ABM
Trustee	Norsk Tillitsmann