RT Holdings, LLC and Subsidiaries

(A Limited Liability Company)

Consolidated Financial Statements as of December 31, 2015 and 2014, and for the Years Ended December 31, 2015 and 2014, and Independent Auditors' Report

RT HOLDINGS, LLC AND SUBSIDIARIES
(A Limited Liability Company)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members of
RT Holdings, LLC:

We have audited the accompanying consolidated financial statements of RT Holdings, LLC and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014 and the related consolidated statements of operations, changes in members' equity and cash flows for the years ended December 31, 2015 and 2014, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of RT Holdings, LLC and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years ended December 31, 2015 and 2014 in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 30, 2016

RT HOLDINGS, LLC AND SUBSIDIARIES
(A Limited Liability Company)

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash	29,073,349	14,577,469
Restricted cash	3,000,000	1,500,000
Accounts receivable	23,101,845	11,282,894
Prepaid expenses and working capital	17,717,768	14,169,549
Inventory	2,679,064	2,159,065
Total current assets	75,572,026	43,688,977
NONCURRENT ASSETS:		
Vessels—net of accumulated depreciation of $41,869,415 and $16,600,226, as of 2015 and 2014, respectively	572,838,835	466,957,524
Fixed assets—net of accumulated depreciation and amortization of $476,361 and $226,041, as of 2015 and 2014, respectively	3,173,245	2,558,365
Deferred drydock costs—net of accumulated amortization of $1,627,919 and $609,387, as of 2015 and 2014, respectively	6,910,804	3,938,673
Deferred financing costs—net of accumulated amortization of $4,335,315 and $2,107,093, as of 2015 and 2014, respectively	2,926,043	5,364,319
Restricted cash	11,966,762	11,966,762
Other	15,561	18,520
Total noncurrent assets	597,831,250	490,804,163
TOTAL ASSETS	$ 673,403,276	$ 534,493,140
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 13,059,689	$ 9,263,978
Short term borrowings	46,648,877	44,000,000
Current portion of term loan	9,219,212	9,219,208
Total current liabilities	68,927,778	62,483,186
LONG TERM LIABILITIES:		
Senior secured bonds	190,000,000	210,000,000
Term loan—net of current portion	47,083,418	64,302,634
Total liabilities	306,011,196	336,785,820
COMMITMENTS AND CONTINGENCIES (Note 8)		
MEMBERS' EQUITY		
Members' equity	273,341,598	197,707,320
Less: Non-controlling interest	94,050,482	-
Total members' equity	367,392,080	197,707,320
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 673,403,276	$ 534,493,140

See notes to consolidated financial statements.

RT HOLDINGS, LLC AND SUBSIDIARIES
(A Limited Liability Company)

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
REVENUES:		
Pool	$ 182,049,242	$ 53,456,218
Time charter	1,479,467	11,180,304
Voyage	-	1,967,098
Management fees	674,040	-
Total revenues	184,202,749	66,603,620
OPERATING EXPENSES:		
Voyage expenses	1,871,536	2,878,974
Vessel operating expenses	41,461,806	29,456,315
General and administrative	8,817,186	8,741,724
Depreciation	25,519,509	16,235,985
Amortization	1,018,532	660,274
Total expenses	78,688,569	57,973,272
OPERATING INCOME (LOSS)	105,514,180	8,630,348
OTHER EXPENSE—Interest expense and financing costs	23,643,837	19,403,281
NET INCOME (LOSS)	81,870,343	(10,772,933)
INCOME ATTRIBUTABLE TO NON-CONTROLLING INTEREST	6,816,266	-
NET INCOME (LOSS) ATTRIBUTABLE TO RT HOLDINGS LLC	$ 75,054,077	$ (10,772,933)

See notes to consolidated financial statements.

RT HOLDINGS, LLC AND SUBSIDIARIES
(A Limited Liability Company)

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Paid in Capital	Share-Based Compensation	Non-Controlling Interest	Accumulated Earnings/(Deficit)	Total
BALANCE—January 1, 2014	$ 126,129,660	$ 2,894,643	$ -	$ (6,239,890)	$ 122,784,413
Contributions	83,286,476	-	-	-	83,286,476
Share-based compensation	-	2,409,364	-	-	2,409,364
Net loss	-	-	-	(10,772,933)	(10,772,933)
BALANCE—December 31, 2014	209,416,136	5,304,007	-	(17,012,823)	197,707,320
Equity in Ridgebury V4 Investments LLC—	-	-	89,600,000	-	89,600,000
Cost of Raising Equity	(1,330,754)	-	(2,365,784)	-	(3,696,538)
Share-based compensation	-	1,910,955	-	-	1,910,955
Net income	-	-	-	75,054,077	75,054,077
Income attributable to non-controlling interest	-	-	6,816,266	-	6,816,266
BALANCE—December 31, 2015	$ 208,085,382	$ 7,214,962	$ 94,050,482	$ 58,041,254	$ 367,392,080

See notes to consolidated financial statements.

RT HOLDINGS LLC AND SUBSIDIARIES
(A Limited Liability Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ 81,870,343	$ (10,772,933)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	25,519,509	16,235,985
Amortization of drydock and other costs	1,018,532	660,274
Amortization of debt financing costs	2,438,276	2,056,654
Payment-in-kind interest on debt	368,877	-
Write-off of debt financing costs related to prepayment	-	584,648
Share based compensation	1,910,955	2,409,364
Changes in assets and liabilities:		
Accounts receivables	(11,818,951)	(7,800,088)
Prepaid expenses and working capital	(3,548,219)	(11,985,937)
Inventory	(519,998)	(1,068,404)
Other assets	2,959	15,000
Drydock costs	(3,990,663)	(3,083,981)
Accounts payable and accrued liabilities	3,795,710	5,647,646
Net cash used in operating activities	97,047,330	(7,101,772)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to vessels and fixed assets	(132,015,700)	(303,744,655)
Additions to restricted cash	(1,500,000)	(7,714,637)
Net cash used in investing activities	(133,515,700)	(311,459,292)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions from members	89,600,000	83,286,476
Cost of Raising Equity	(3,696,538)	-
Proceeds from Senior Secured Bond	-	210,000,000
Repayment of Senior Secured Bond	(20,000,000)	-
Proceeds from Riverstone Demand Note	41,280,000	44,000,000
Repayment of Riverstone Demand Notes	(44,000,000)	-
Proceeds from Term Loan	-	20,123,875
Repayment of Term Loan	(17,219,212)	(31,644,533)
Proceeds from revolving credit agreement	5,000,000	-
Payment of deferred financing costs	-	(5,821,282)
Net cash provided by financing activities	50,964,250	319,944,536
NET INCREASE IN CASH	14,495,880	1,383,472
CASH—Beginning of year	14,577,469	13,193,997
CASH—Ending of year	$ 29,073,349	$ 14,577,469
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for interest	$ 19,903,167	$ 11,147,087

See notes to consolidated financial statements.

1. DESCRIPTION OF BUSINESS

RT Holdings, LLC (the "Company") is a limited liability holding company formed in March 2013 under the laws of the Republic of the Marshall Islands. The Company owns and operates tanker vessels providing international transportation of crude oil and petroleum products. In addition to the newly added fleet of Very Large Crude Carriers (VLCC's) discussed below, the Company's fleet consists of seven Suezmax tankers, six Medium Range tankers and two Aframax tankers, all owned by Marshall Island incorporated subsidiaries. The table below provides information regarding each vessel.

Vessel and Vessel Owning Company	Deadweight Tonnage	Year Built	Date Acquired	Country of Origin
Suezmax:				
Ridgebury Lessley B—Ridgebury Alpha LLC	158,319	2013	September 2013	South Korea
Ridgebury John Zipser—Ridgebury Whiskey LLC	164,772	2009	January 2014	South Korea
Ridgebury Nicholas A—Ridgebury Romeo LLC	159,395	2007	April 2014	Japan
Ridgebury Astari—Ridgebury Sierra LLC	149,991	2002	April 2014	Japan
Ridgebury Captain Drogin—Ridgebury Tango LLC	166,468	2007	April 2014	South Korea
Ridgebury Mary Selena—Ridgebury Uniform LLC	146,427	2006	April 2014	Japan
Ridgebury Lindy B—Ridgebury Victor LLC	146,356	2007	April 2014	Japan
Medium range:				
Ridgebury John B—Ridgebury Bravo LLC	45,975	2007	January 2014	Japan
Ridgebury Alexandra Z—Ridgebury Delta LLC	50,251	2009	December 2013	South Korea
Ridgebury Cindy A—Ridgebury Foxtrot LLC	50,162	2009	December 2013	South Korea
Ridgebury Katherine Z—Ridgebury Echo LLC	50,216	2009	December 2013	South Korea
Ridgebury Rosemary E—Ridgebury Golf LLC	50,261	2009	January 2014	South Korea
Ridgebury Julia M—Ridgebury Charlie LLC	45,980	2007	September 2014	Japan
Aframax:				
Ridgebury Alice M—Ridgebury Zulu LLC	105,745	2003	December 2014	Japan
Ridgebury Sally B—Ridgebury Yankee LLC	105,672	2003	December 2014	Japan

On June 11 2015, Ridgebury V4 Investments LLC ("RV4") was formed through the investment of $140,000,000 by several investors.

Ridgebury Holdings LLC, a wholly owned subsidiary of RT Holdings, LLC, owns 36% of RV4, and the limited liability agreement of RV4 grants Ridgebury Holdings LLC and/or its affiliates significant control of RV4, including overall corporate, commercial, operational and administrative management of RV4. As a result of its ability to control RV4, the Company has consolidated the results of RV4 and present a noncontrolling interests for the portion owned by the other investors.

Ridgebury V4 Investments LLC is a Marshall Islands limited liability company that was created to acquire older Very Large Crude Carriers ("VLCC's") and maximize cash returns to its members by owning, operating and ultimately disposing of the VLCC's it acquires. RV4 owns and operates tanker vessels providing international transportation of crude oil. RV4's fleet consists of four VLCC tankers, all owned by Marshall Island incorporated subsidiaries. The following table provides information regarding each vessel.

Vessel and Vessel Owning Company	Deadweight Tonnage	Year Built	Date Acquired	Country of Origin
Ridgebury Pride— Ridgebury Juliet LLC	305,994	2000	October 2015	South Korea
Ridgebury Purpose—Ridgebury Mike LLC	306,308	2000	August 2015	South Korea
Ridgebury Progress— Ridgebury Kilo LLC	306,398	2000	August 2015	South Korea
Ridgebury Pioneer—Ridgebury Lima LLC	306,397	1999	November 2015	South Korea

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). All amounts are stated in United States (U.S.) dollars.

Principles of Consolidation—The consolidated financial statements include the assets, liabilities, revenues and expenses of all subsidiaries of the Company. As noted in the Description of Business above, the Company has a controlling financial interest in Ridgebury V4 Investments LLC, and has fully consolidated the results of RV4 and presented a noncontrolling interest for the portion owned by other investors. All significant intercompany transactions and balances with consolidated subsidiaries are eliminated in consolidation.

Management Estimates—The preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions that are believed to be reasonable under the circumstances. As a result, actual results could differ from these estimates.

Revenue and Expense Recognition—Since inception, the Company has generated its revenues from both spot market exposed arrangements and fixed-rate charter agreements. The Company's strategy has generally been to remain exposed to the spot market by participating in pooling arrangements with its vessels. Certain vessels were purchased with expiring short term charters, and were added to pools on the expiration of those charters.

Under the Company's pooling arrangements, the costs of bunkers and port expenses are borne by the pools, while operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. Since the members of the pools share in the revenue less voyage expenses generated by the entire group of vessels in the pool, the revenue earned by these vessels is subject to the fluctuation of the spot market. The Company recognizes revenue from these pool arrangements based on its portion of the net distributable income reported by the relevant pool, which represents the net voyage revenue of the pool after voyage expenses and pool manager fees.

All revenues from voyage charters are recognized on a pro-rata basis based on the relative transit time in each period. The Company does not begin recognizing revenue until a charter has been agreed to by the customer and the Company. Vessels that operate under fixed rate time charters receive monthly payments at a fixed rate. The Company recognizes this revenue in the month it is earned.

Voyage expenses associated with charter revenue represent all expenses related to particular voyages, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. Vessel operating expenses associated with pool revenue and charter revenue include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses. Voyage expenses and vessel operating expenses are recognized when incurred.

Cash—Cash and cash equivalents includes cash on hand and in banks, as well as highly liquid investments such as money market funds with an original maturity of three months or less at the time of purchase.

Accounts Receivable—Accounts receivable represents trade amounts owed to the Company from vessel earnings and do not bear interest. At each balance sheet date, the Company assesses the potential credit loss and risk of collectability on these receivables and has determined it to be minimal. If amounts become uncollectible, a reserve will be established in the Company's consolidated statements of operations when that determination is made. For the years ended December 31, 2015 and 2014, respectively, the Company did not record an allowance for doubtful accounts.

Inventory—Inventory, which is comprised primarily of lubricants, is recorded at cost. Cost is determined using the FIFO method.

Vessels and Equipment—The acquisition cost and all costs incurred to restore used vessels purchased by the Company to the standard required to properly service the Company's customers are capitalized. Vessel capital modifications include the addition of new equipment or can encompass various modifications to the vessel which are aimed at improving or increasing the operational efficiency and functionality of the vessel. This type of expenditure is capitalized and generally depreciated over the remaining useful life of the vessel.

Vessel depreciation is calculated on a straight-line basis over a vessel's estimated useful life, less an estimated residual value. For vessels, the Company uses an estimated useful life of 25 years from the vessel's original build date. The Company estimates residual value based on the lightweight tonnage of each vessel multiplied by the average scrap value per lightweight ton of $250 per ton.

Generally the Company drydocks each vessel every two and a half to five years. The Company defers a substantial portion of the costs incurred during a drydocking and amortizes those costs on a straight- line basis from the completion of a drydocking or intermediate survey to the estimated completion of the next drydocking. The Company includes in deferred drydocking those costs incurred as part of the drydock to meet classification and regulatory requirements. Such costs include expenses relating to the dock preparation and port charges at the drydock facility, expenses relating to hull inspections, external surfaces for pressure cleaning, scraping and bottom painting, expenses relating to machinery and engines of the vessel, and safety equipment on board. Costs that are considered normal repair and maintenance costs, such as routine replacement of parts, crew and fuel costs incurred at the drydock, and system overhauls; generator, boiler, refrigeration and repairs, whether incurred as part of the dry docking or not, are expensed as incurred. When significant drydocking expenditures occur prior to the expiration of the original amortization period, the remaining unamortized balance of the original drydocking cost is expensed.

Long-Lived Assets—The Company reviews the recoverability of its long-lived assets and intangible assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. This assessment is made at the individual vessel level since separately identifiable cash flow information for each vessel is available. Evaluation of possible impairment is based on the Company's ability to recover the asset from the expected future cash flows (undiscounted and without interest charges) of the related operations. If the expected undiscounted cash flows are less than the carrying value of such asset, an impairment loss would be recognized for the difference between estimated fair value and carrying value.

Depreciation and Amortization—Office furniture and equipment is depreciated on a straight-line basis over its estimated useful life, typically between 5 and 7 years. For vessels and deferred drydock expenses, see the discussion under Vessels and Equipment, above.

Taxes—The Company believes that it and its subsidiaries are not subject to taxation on its income under the laws of the Republic of the Marshall Islands. The subsidiaries of the Company are subject to registration and tonnage taxes in the Republic of the Marshall Islands, which taxes are recorded within 'Vessel operating expense' in the Company's consolidated statements of operations. Ridgebury Holdings LLC, a wholly-owned subsidiary of the Company, is subject to U.S. federal tax at a rate of four percent on the U.S. source gross transportation income of its subsidiaries derived from voyages that begin or end in the United States. The Company has recognized expenses of $1,053,218 and $417,770 in the years ended December 31, 2015 and 2014, respectively, which taxes are recorded within 'Voyage expense' in the Company's consolidated statements of operations. The Company may also be subject to U.S. federal tax on the gains it derives from the sales of its vessels.

Deferred Financing Costs—Costs including bank fees, commissions, and legal expenses associated with securing the Term Loans and Senior Secured Bonds are deferred and amortized over the maturity of the related debt. Amortization of deferred financing costs is included in the Company's consolidated statements of operations using the effective interest method as part of 'Interest expense and financing costs'.

Share-Based Compensation—Share-based compensation represents the cost related to share-based awards granted to employees and non-employee directors. The Company measures share-based compensation cost at the grant date, based on the estimated fair value of the award, and recognizes the cost on an accelerated basis (net of estimated forfeitures) over the grantee's requisite service period, which is generally the vesting period of the award. The Company estimates the fair value of stock options using a Black-Scholes option pricing model. Key assumptions used in estimating the fair value of options are dividend yield, expected volatility, risk-free interest rate and expected term. Share-based compensation expense is recorded in general and administrative expense in the accompanying consolidated statements of operations. See Note 7, Members' Equity and Incentive Units for additional information on share-based compensation.

Concentration of Credit Risk—The Company, from time to time, has cash in financial institutions in excess of insured limits. In assessing its risk, the Company's policy is to maintain funds only with highly rated financial institutions. Amounts held in excess of FDIC insured limits is $43,506,013 and $19,388,196 as of December 31, 2015 and 2014, respectively.

For the year ended December 31, 2015, 53%, 25% 12%, and 9%, respectively, of the Company's revenues were earned under the Company's pooling arrangements with Heidmar Blue Fin Pool, Norient Product Pool, Teekay Chartering Limited and Heidmar Sea Wolf Pool. At December 31, 2015, 26%, 29%, 10% and 33%, respectively, of Accounts receivable related to receivables from the Heidmar Blue Fin Pool, the Norient Product Pool, Teekay Chartering Limited and the Heidmar Sea Wolf Pool. For the year ended December 31, 2014, 52% and 28%, respectively, of the Company's revenues were earned under the Company's pooling arrangements with Heidmar Blue Fin Pool and Norient Product Pool. At December 31, 2014, 47% and 48%, respectively, of Accounts receivable related to receivables from the Heidmar Blue Fin Pool and the Norient Product Pool.

Fair Value of Financial Instruments—The Company's financial instruments, including cash, restricted cash, short-term investments, accounts receivable, account payable, and accrued expenses are carried at cost, which approximates their fair value because of the short-term nature of these financial instruments. The carrying value of the Company's debt approximates fair value.

Derivatives—The Company utilizes derivative contracts in the form of interest rate swaps to manage interest rate risk arising from debt that has variable interest rates. The Company recognizes interest rate swaps at fair value in 'Accounts payable and accrued liabilities' in the consolidated balance sheets. Changes in fair value are recorded in 'Interest expense and financing costs' in the consolidated statements of operations.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* ("ASU 2014-15"), amending FASB Accounting Standards Subtopic 205-40 to provide guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, the amendments (1) provide a definition of the term "substantial doubt," (2) require an evaluation every reporting period, (3) provide principles for considering the mitigating effect of management's plans, (4) require certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans, (5) require an express statement and other disclosures when substantial doubt is not alleviated, and (6) require an assessment for a period of one year after the date that financial statements are issued. ASU 2014-15 is effective for fiscal years ending after December 15, 2016, and for annual periods and interim periods thereafter. The Company is currently evaluating the impact ASU 2014-15 may have on its consolidated financial statements.

In February 2015, the FASB issued Accounting Standards Update No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis* ("ASU 2015-02"), which amends the requirements to determine whether a company needs to consolidate certain legal entities into its reported financial statements. Specifically, the amendment: (1) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, (2) eliminates the presumption that a general partner should consolidate a limited partnership and (3) affects the consolidation analysis of reporting entities that are involved with VIEs. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015 and may be applied retrospectively to each prior period presented or with the cumulative effect recognized as of the date of initial application. We elected to early adopt this standard during 2015. The adoption of this guidance did not have any impact on our historical financial condition or results of operations.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which specifies that debt issuance costs related to a note shall be reported on the balance sheet as a direct deduction from the face amount of that note and that amortization of debt issuance costs shall be reported as interest expense. ASU 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 and should be applied retrospectively with early adoption permitted. The Company is currently evaluating the impact ASU 2015-03 may have on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, *Leases*. ASU 2016-02 is intended to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In order to meet that objective, the new standard requires recognition of the assets and liabilities that arise from leases. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Accounting by lessors will remain largely unchanged from current U.S. generally accepted accounting principles. The new standard is effective for public companies for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. The Company is currently evaluating the effect that adopting this standard will have on our financial statements and related disclosures.

4. RESTRICTED CASH

During 2015, the Company's subsidiary, Ridgebury Holdings LLC, entered into an agreement to act as an escrow agent during the resolution of claims between Frontline Management (Bermuda) Ltd and MLR Petroleum LLC, and agreed to hold $3,000,000 in a segregated cash account until the dispute was resolved and the two parties agreed to release the funds. The Company has recorded this amount as restricted cash and also recording an offsetting liability which is included in Accounts Payable and Accrued Liabilities in the accompanying consolidated balance sheets.

5. PROPERTY AND EQUIPMENT

As of December 31, 2015 and 2014, property and equipment, at cost, consisted of the following:

	2015	2014
Vessel equipment	$ 3,531,416	$ 2,684,512
Office, furniture and equipment	118,190	99,894
Total fixed asset cost	3,649,606	2,784,406
Less accumulated depreciation	(476,361)	(226,041)
Fixed assets—net of accumulated depreciation	$ 3,173,245	$ 2,558,365
Vessels	$ 614,708,250	$ 483,557,750
Less accumulated depreciation	(41,869,415)	(16,600,226)
Vessels—net of accumulated depreciation	$ 572,838,835	$ 466,957,524

Depreciation expense was $25,519,509 and $16,235,985 for the years ended December 31, 2015 and 2014, respectively.

6. DEFERRED DRYDOCK COSTS, NET

At December 31, 2015 and 2014, the deferred drydock costs consisted of the following:

	2015	2014
Deferred drydock costs	$ 8,538,723	$ 4,548,060
Less accumulated amortization	(1,627,919)	(609,387)
Total	$ 6,910,804	$ 3,938,673

Total amortization of drydock costs was $1,018,532 and $576,176, respectively, for the years ended December 31, 2015 and 2014.

7. DEBT

Term Loan—On November 21, 2013, Ridgebury Tankers LLC, a wholly-owned subsidiary of the Company entered into an agreement (the "Credit Agreement") with several financial institutions. The Credit Agreement provided for term loans in the maximum aggregate amount of $105,175,000 ("Term Loans") to be borrowed in tranches specifically related to vessel purchases as they occurred. At December 31, 2015 and 2014, the Company had $56,302,630 and $73,521,842, respectively, outstanding under this agreement.

The proceeds of the Term Loans were used in conjunction with the acquisition of the Medium Range tankers and the Ridgebury Lessley B listed in the table of vessel-owning companies in Note 1. The borrowings under the Credit Agreement are collateralized by mortgages on the Medium Range tankers and are guaranteed by the Company. As is further described below, the Term Loan that related to the Ridgebury Lessley B was repaid in March 2014 in conjunction with the closing on the Senior Secured Bonds, and the mortgage on the Ridgebury Lessley B was released from the Credit Agreement at that time.

Term Loans are payable in quarterly installments that began on February 26, 2014 and continue through November 2018, when the remaining outstanding principal balance becomes due. The Term Loans bear interest at LIBOR plus an applicable margin of 3.65%. The interest rate in effect as of December 31, 2015 and 2014 was 4.05% and 3.88%, respectively. Interest expense on the Term Loans amounted to $2,682,403 and $2,978,641 for the years ended December 31, 2015 and 2014, respectively. The Company also incurred a commitment fee expense related to the unused portion of the Credit Agreement until the last tranche was drawn. The commitment fee amounted to $0 and $117,296 for the years ended December 31, 2015 and 2014, respectively.

The Company can make voluntary prepayments of the Term Loans under the Credit Agreement. The Company is obligated to use 100% of proceeds from certain defined sources to prepay the borrowings. Further, after the end of each fiscal year, starting with the year ending December 31, 2014, the Company is obligated to make mandatory prepayments in the amount of 100% of Excess Cash Flow of Ridgebury Tankers LLC (as defined in the Credit Agreement) for the immediately preceding fiscal year until an aggregate amount of $7,350,000 has been repaid. After the initial $7,350,000 of Excess Cash Flow prepayment has been repaid, the Company is obligated to make mandatory prepayments in the amount of 50% of Excess Cash Flow of Ridgebury Tankers LLC (as defined in the Credit Agreement) for the immediately preceding fiscal year until an additional aggregate amount of $7,350,000 has been repaid.

Additionally, under the Credit Agreement, Ridgebury Tankers LLC is obligated to meet certain financial and non-financial covenants and to maintain minimum balances in segregated deposit accounts with the lead lender. At December 31, 2015 and 2014, these balances totaled $4,466,762 and $5,966,762, respectively. Among other things, the Credit Agreement limits Ridgebury Tankers LLC's ability to enter into business activities outside those specifically defined, incur and repay debt, assume liens, make investments and acquisitions, dissolve or liquidate subsidiaries, change its tax status, pay dividends, enter into sale-leaseback transactions, modify certain existing agreements, enter into contracts with affiliates, change its fiscal year end, or make any significant change in its accounting treatment or reporting practices. Further, at the end of each semi-annual period, Ridgebury Tankers LLC and the Company must achieve certain liquidity and financial ratios as defined in the Credit Agreement. Ridgebury Tankers LLC and the Company were in compliance with the financial covenants of the Credit Facility as of December 31, 2015 and 2014.

Senior Secured Bonds—On March 20, 2014, Ridgebury Crude Tankers LLC, an indirect wholly-owned subsidiary of the Company, placed $210,000,000 principal amount Senior Secured Bonds ("Bonds"), maturing March 20, 2017. The use of proceeds was to acquire five additional Suezmax tankers (bringing the total Suezmax fleet to seven), to refinance the portion of the Credit Agreement loan tranche secured by the Ridgebury Lessley B, described above, and for working capital and reserves. The Bonds bear interest at a rate of 7.625% and are secured by mortgages on the seven Suezmax and two Aframax tankers, as well as an on-demand guarantee of the Company. Interest expense on the Bonds amounted to $15,021,252 and $12,721,041 for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, the Company had $190,000,000 and $210,000,000, respectively, outstanding under this agreement.

The Bonds do not require any repayments of principal before their maturity, but allow for repayments of up to $10,000,000 at par during each twelve month period if certain conditions are met. Additionally, Ridgebury Crude Tankers LLC is obligated to meet certain financial and non-financial covenants and to maintain a minimum balance of $7,500,000 in a segregated deposit account approved by the Bond trustee. Among other things, the Bonds limit Ridgebury Crude Tankers LLC's ability to enter into business activities outside those specifically defined, incur and repay debt, assume liens, make investments and acquisitions, dissolve or liquidate subsidiaries, change its tax status, pay dividends, enter into sale-leaseback transactions, modify certain existing agreements, enter into contracts with affiliates, change its fiscal year end, or make any significant change in its accounting treatment or reporting practices. Further, at the end of each quarter, Ridgebury Crude Tankers LLC and the Company must achieve certain liquidity and financial ratios as defined by the Senior Secured Bonds Agreement. Ridgebury Crude Tankers LLC and the Company were in compliance with the financial covenants of the Senior Secured Bonds Agreement as of December 31, 2015 and 2014.

Riverstone Demand Notes—On December 12, 2014, Ridgebury Aframax Tankers LLC, an indirect wholly-owned subsidiary of the Company, executed a $44,000,000 principal amount demand note (the "Aframax Note") from Riverstone Global Energy and Power Fund V (Cayman), L.P. ("Riverstone"), a related party which owns 97.148% of the Company at December 31, 2015. The use of proceeds was to acquire two Aframax tankers. The Aframax Note bears interest at 6.00%, which can be paid in cash quarterly or added to the principal as a 'payment in kind'. Total interest expense on the Aframax Note amounted to $2,002,470 and $119,342 for the years ended December 31, 2015 and 2014, respectively. The Aframax Note had a maturity date that occurred six months from the date of the first draw on December 12, 2014, or June 12, 2015, at which time it was extended to December 31, 2015. The Company repaid $22,000,000 of principal on June 30, 2015 and fully repaid and extinguished the remaining portion of the Aframax Note on December 30, 2015.

On July 31, 2015, Ridgebury Holdings LLC, a wholly-owned subsidiary of the Company, executed a $50,000,000 principal amount demand note (the “RV4 Note”) from Riverstone Global Energy and Power Fund V (Cayman), L.P. (“Riverstone”), a related party which owns 97.148% of the Company at December 31, 2014. The use of proceeds was to acquire a 36% equity interest in Ridgebury V4 Investments LLC. The RV4 Note bears interest at 6.00%, which can be paid in cash quarterly or added to the principal as a ‘payment in kind’. Total interest expense on the RV4 Note amounted to $918,195 for the year ended December 31, 2015. The RV4 Note has a maturity date that occurs one year from the date of the first draw on August 5, 2015. At December 31, 2015, there was $41,648,877 outstanding on the RV4 Note.

Ridgebury V4 Investments Revolver—On November 3, 2015, Ridgebury V4 Investments LLC, a joint venture of the Company, entered into a revolving credit facility of up to $20,000,000 principal amount (the “RV4 Revolver”), maturing November 1, 2016. If a vessel is sold or otherwise becomes a total loss or suffers a major casualty, the total commitment will be reduced by $5,000,000. The use of proceeds was for general corporate and working capital purposes. The RV4 Revolver bears interest at a rate of LIBOR plus an applicable margin (4.00%) and is secured by mortgages on the four VLCC tankers. Interest expense on the RV4 Revolver amounted to $31,355 for the year ended December 31, 2015.

The RV4 Revolver does not require any repayments of principal before its maturity unless certain convenants or ratios are not met. RV4 is obligated to meet certain non-financial covenants and to maintain a minimum liquidity balance of $2,000,000 beginning on and after 180 days after the date of the agreement. Additionally, RV4 is required to maintain a Collateral Maintenance Ratio (the aggregate fair market value of the vessels subject to the mortgages as a percentage of the total commitments) of 150% or is required to prepay an amount equal to the shortfall. Among other things, the RV4 Revolver limits RV4’s ability to enter into business activities outside those specifically defined, incur and repay debt, assume liens, make investments and acquisitions, dissolve or liquidate subsidiaries, change its tax status, pay dividends, enter into sale-leaseback transactions, modify certain existing agreements, enter into contracts with affiliates, change its fiscal year end, or make any significant change in its accounting treatment or reporting practices. Ridgebury V4 Investments LLC was in compliance with the covenants of the RV4 Revolver as of December 31, 2015. At December 31, 2015, there was $5,000,000 outstanding under the RV4 Revolver.

At December 31, 2015, total debt outstanding amounted to $292,951,507. The maturities of total outstanding debt over the next five years ending December 31 are as follows:

2016	$ 55,868,089
2017	199,219,212
2018	37,864,206
	$ 292,951,507

Derivatives—The Company utilizes derivative contracts in the form of interest rate swaps to manage interest rate risk arising from debt that has variable interest rates. The Company recognizes interest rate swaps at fair value in ‘Accounts payable and accrued liabilities’ in the consolidated balance sheets. Changes in fair value are recorded in ‘Interest expense and financing costs’ in the consolidated statements of operations. At December 31, 2015, the fair value of the Company’s interest rate swap was a liability of $30,925 as these swaps were not designated as hedges and the Company recorded income of $671 related to the change in fair value for the year ended December 31, 2015. At December 31, 2014, the fair value of the Company’s interest rate swap was a liability of $31,596 and the Company recorded an expense of $31,596 related to the change in fair value for the year ended December 31, 2014.

8. COMMITMENTS AND CONTINGENCIES

Leases—The Company leased its headquarters facilities under a long-term lease which expires on November 30, 2018, and which contains one five-year option to extend. As of December 31, 2015, minimum annual lease payments for all leases are as follows:

2016	$ 132,648
2017	136,421
2018	127,935
	$ 397,004

Total rent expense for the years ended December 31, 2015 and 2014 was $128,877 and $125,105, respectively.

Contingencies—The Company is involved from time to time in claims, proceedings, and litigation arising from the operation of its business. The Company does not believe that any such claim, proceeding, or litigation, either alone or in the aggregate, will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

9. MEMBERS EQUITY AND INCENTIVE UNITS

At December 31, 2015, Riverstone Global Energy and Power Fund V (Cayman), L.P. ("Riverstone") owned 97.148% of RT Holdings, LLC. The remaining 2.852% is owned by officers and directors of the Company. There have been no distributions or dividends declared or paid since the inception of the Company. As of December 31, 2015, the Company has committed capital of $256,775,000 from its members, of which $209,438,627 has been contributed.

On April 10, 2013, RT Holdings, LLC issued 470,000 Class B units to certain officers and directors of the Company. On June 21, 2013, an additional 16,667 Class B units were issued to a director and on August 1, 2013 an additional 8,333 Class B units were issued to an officer, bringing the total number of issued and outstanding Class B units to 495,000. On March 5, 2014, 83,333 Class B units were forfeited by an officer in conjunction with a severance and separation agreement. On July 30, 2014, an additional 86,605 Class B units were issued to certain officers of the Company, bringing the total number of issued and outstanding Class B units to 498,272. Under the Company's LLC agreement, there are 1,000,000 Class B units authorized for grant. The deemed exercise price for each incentive unit for purposes of the LLC agreement is $0. The units vest over 48 months based on continued service to the Company, with 25% vesting on each of the first, second, third and fourth anniversaries of the grant date. As of December 31, 2015, there were 227,485 vested units. There were no units granted for the year ended 2015.

For purposes of determining the compensation expense associated with the Class B units, management valued the business enterprise using a variety of widely accepted valuation techniques which considered the expected financial performance of the Company as well as the lack of marketability of the Company's equity. The Company then used the Black-Scholes option pricing model to determine the fair value of these units at the time of grants using valuation assumptions consisting of the following:

Assumptions	**2014**
Expected term	3.7 yrs
Risk free rate	1.30 %
Expected dividend	None
Expected volatility	46.0 %
Weighted average value	$ 16.87

In accordance with Accounting Standards Codification 718 "Compensation—Stock Compensation", the Company recorded share-based compensation expense of $1,910,955 and $2,409,364 for the years ended December 31, 2015 and 2014, respectively, which is included in general and administrative expense in the consolidated statement of operations. As of December 31, 2015 and 2014, there was approximately $1,297,920 and $3,208,875, respectively, of total unrecognized compensation expense related to the Class B units, which is expected to be recognized over a weighted average of three years.

10. EMPLOYEE BENEFITS

Defined Contribution Plans—Ridgebury Management LLC, an indirect wholly-owned subsidiary of the Company, sponsors a defined contribution plan that covers all eligible employees. The Company's matching contributions are determined as a percentage of each covered employee's salary, and also are based on contributions by each employee. The Company's contribution expense for the years ended December 31, 2015 and 2014 were $74,443 and $56,347, respectively.

11. RELATED-PARTY TRANSACTIONS

The Company reimburses Riverstone for cash expenses, such as legal fees and travel expenses, incurred on its behalf. During 2015 and 2014, the Company reimbursed Riverstone $42,625 and $49,161, respectively. One of Riverstone's nominated directors of the Company is paid $150,000 on an annual basis. All of these related party expenses were included in general and administrative expenses in the consolidated statements of operations. See also Note 7 for a discussion of the Riverstone Notes.

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2015, the board of RV4 approved a distribution of $15,000,000 of Distributable Cash, as defined in RV4's LLC agreement, which was paid to investors on January 15, 2016.

Management has evaluated subsequent events through the date of the Auditors' report, which is the date the financial statements were available to be issued. Management has determined that there are no other material events that would require adjustment to or disclosures in the Company's consolidated financial statements.

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