Ridgebury Crude Tankers LLC and Subsidiaries

(A Limited Liability Company)

Consolidated Financial Statements as of December 31, 2015 and 2014 and for the Year Ended December 31, 2015 and for the Period from February 27, 2014 (Date of Inception) to December 31, 2014 and Independent Auditors' Report

RIDGEBURY CRUDE TANKERS LLC AND SUBSIDIARIES
(A Limited Liability Company)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Member of
Ridgebury Crude Tankers LLC:

We have audited the accompanying consolidated financial statements of Ridgebury Crude Tankers 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 member's equity and cash flows for the year ended December 31, 2015 and the period from February 27, 2014 (date of inception) to December 31, 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 Ridgebury Crude Tankers LLC and its subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the year ended December 31, 2015 and the period from February 27, 2014 (date of inception) to December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 30, 2016

RIDGEBURY CRUDE TANKERS LLC AND SUBSIDIARIES
(A Limited Liability Company)

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash	$ 10,162,783	$ 11,888,196
Accounts receivable	7,089,628	5,355,032
Prepaid expenses and working capital	8,713,773	10,856,658
Inventory	1,116,949	298,881
Total current assets	27,083,133	28,398,767
NONCURRENT ASSETS:		
Vessels—net of accumulated depreciation of $25,565,228 and $10,150,964, as of 2015 and 2014, respectively	299,344,772	314,759,036
Fixed assets—net of accumulated depreciation and amortization of $149,008 and $74,569, as of 2015 and 2014, respectively	1,132,758	981,637
Deferred drydock costs—net of accumulated amortization of $358,856 and $119,112, as of 2015 and 2014, respectively	801,678	1,032,322
Deferred financing costs—net of accumulated amortization of $3,363,279 and $1,528,701, as of 2015 and 2014, respectively	2,170,346	4,267,477
Restricted cash	7,500,000	7,500,000
Total noncurrent assets	310,949,554	328,540,472
TOTAL ASSETS	$ 338,032,687	$ 356,939,239
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 4,112,797	$ 5,730,873
Due to affiliates	-	2,371,949
Total current liabilities	4,112,797	8,102,822
LONG TERM LIABILITIES—Senior Secured Bonds	190,000,000	210,000,000
Total liabilities	194,112,797	218,102,822
COMMITMENTS AND CONTINGENCIES (Note 7)		
MEMBER'S EQUITY	143,919,890	139,636,417
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 338,032,687	$ 357,739,239

See notes to consolidated financial statements.

RIDGEBURY CRUDE TANKERS LLC AND SUBSIDIARIES
(A Limited Liability Company)

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND
FOR THE PERIOD FROM FEBRUARY 27, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

	2015	2014
REVENUES:		
Pool	$ 119,806,899	$ 34,987,106
Time charter	-	3,460,680
Voyage	-	746,981
Total revenues	119,806,899	39,194,767
OPERATING EXPENSES:		
Voyage expense	787,007	1,188,457
Vessel operating expense	23,293,078	14,575,129
General and administrative	3,417,742	2,348,541
Depreciation	15,488,703	9,066,087
Amortization	239,744	129,852
Total expenses	43,226,274	27,308,066
OPERATING INCOME	76,580,625	11,886,701
OTHER EXPENSE—Interest expense and financing costs	17,118,383	14,249,742
NET INCOME (LOSS)	$ 59,462,242	$ (2,363,041)

See notes to consolidated financial statements.

RIDGEBURY CRUDE TANKERS LLC AND SUBSIDIARIES
(A Limited Liability Company)

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015 AND
FOR THE PERIOD FROM FEBRUARY 27, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

	Paid-In-Capital	Contributions	Retained Earnings/ (Deficit)	Total
FEBRUARY 27, 2014 (Date of inception)	$ -	$ -	$ -	$ -
Contributions of subsidiaries from Parent	-	104,069,973	-	104,069,973
Cash contributions from Parent	17,500,000	-	-	17,500,000
Distribution to Parent to repay Term Loan	-	(25,892,515)	-	(25,892,515)
Equity of acquisitions under common control	-	46,322,000	-	46,322,000
Net loss	-	-	(2,363,041)	(2,363,041)
MEMBER'S EQUITY— December 31, 2014	17,500,000	124,499,458	(2,363,041)	139,636,417
Distribution to Parent related to common control transaction	-	(55,178,769)	-	(55,178,769)
Net income	-	-	59,462,242	59,462,242
MEMBER'S EQUITY— December 31, 2015	$ 17,500,000	$ 69,320,689	$ 57,099,201	$ 143,919,890

See notes to consolidated financial statements.

RIDGEBURY CRUDE TANKERS LLC AND SUBSIDIARIES

(A Limited Liability Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015 AND
FOR THE PERIOD FROM FEBRUARY 27, 2014 (DATE OF INCEPTION) TO DECEMBER 31, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ 59,462,242	$ (2,363,041)
Adjustments to reconcile net income (loss) to net cash provided from operating activities:		
Depreciation	15,488,703	9,066,087
Amortization of drydock costs and other costs	239,744	129,852
Amortization of debt financing costs	2,097,131	1,528,701
Changes in assets and liabilities:		
Accounts receivables	(12,553,932)	(4,400,400)
Due from affiliates	(2,371,949)	(269,811)
Prepaid expenses and working capital	2,142,884	(5,545,089)
Inventory	(18,068)	(687,550)
Drydock costs	(9,100)	(1,151,434)
Accounts payable and accrued liabilities	(1,618,076)	6,051,770
Net cash provided by operating activities	62,859,579	2,359,085
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to vessels and fixed assets	(225,560)	(178,782,196)
Additions to restricted cash	-	(7,500,000)
Net cash (used in) investing activities	(225,560)	(186,282,196)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions from Parent	-	17,500,000
Cash distribution to Parent	(44,359,432)	(25,892,515)
Proceeds from Senior Bond	-	210,000,000
Repayment of Senior Bond	(20,000,000)	-
Payment of deferred financing costs	-	(5,796,178)
Net cash provided by financing activities	(64,359,432)	195,811,307
NET INCREASE IN CASH	(1,725,413)	11,888,196
CASH—Beginning	11,888,196	-
CASH—Ending	$ 10,162,783	$ 11,888,196
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest	$ 15,631,250	$ 8,006,250
Non-cash distribution of net assets to Parent	$ 10,819,337	$ 150,417,464

See notes to consolidated financial statements.

1. DESCRIPTION OF BUSINESS

Ridgebury Crude Tankers LLC (the "Company"), a subsidiary of RT Holdings, LLC, is a limited liability holding company formed in February 2014 under the laws of the Republic of the Marshall Islands. The Company owns and operates tanker vessels providing international transportation of crude oil. The Company's fleet consists of seven Suezmax tankers and two Aframax tankers, all owned by Marshall Island incorporated subsidiaries.

Vessel and Vessel Owning Company	Deadweight Tonnage	Year Built	Date Acquired	Country of Origin
Suezmax:				
Ridgebury Lessley B—Ridgebury Alpha LLC	158,319	2013	March 2014*	South Korea
Ridgebury John Zipser—Ridgebury Whiskey LLC	164,772	2009	March 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 Unform LLC	146,427	2006	April 2014	Japan
Ridgebury Lindy B—Ridgebury Victor LLC	146,356	2007	April 2014	Japan
Aframax:				
Ridgebury Sally B--Ridgebury Yankee LLC	105,672	2003	June 2015**	Japan
Ridgebury Alice M--Ridgebury Zulu LLC	105,745	2003	December 2015**	Japan

* The Ridgebury Lessley B and Ridgebury John Zipser were acquired by Ridgebury Tankers LLC, a sister company, in September 2013 and January 2014, respectively. The vessel-owning companies that owned these vessels, as well as Ridgebury Romeo LLC and Ridgebury Sierra LLC, were distributed to the Company in March 2014, as described below.

** The Ridgebury Sally B was acquired from Ridgebury Aframax Tankers LLC, a company under common control of the Company's parent, Ridgebury Holdings LLC, on June 30, 2015. Similarly, the Ridgebury Alice M was acquired from Ridgebury Aframax Tankers LLC, a company under common control of the Company's parent, Ridgebury Holdings LLC, on December 30, 2015. The vessel-owning companies that owned these vessels were distributed to the Company in June 2015 and December 2015, as described below.

In March 2014, RT Holdings, LLC, the ultimate parent of the Company, completed a restructuring of its business to create two distinct subsidiary groups and split the fleet between its Medium Range product tankers and its Suezmax crude oil tankers. The Company was created to own and operate the Suezmax crude oil tanker vessels in the RT Holdings, LLC fleet. As part of the restructuring, Ridgebury Tankers LLC, a sister company of the Company, distributed four vessel-owning subsidiaries that owned Suezmax vessels (or contracts to purchase Suezmax vessels) up to the Company's parent. The Company's parent then contributed those vessel-owning subsidiaries to Ridgebury Crude Tankers LLC. Following the restructuring, all entities remained wholly-owned subsidiaries within the RT Holdings, LLC group of companies. The operating results of the distributed vessel-owning subsidiaries following their distribution to the Company are included in the consolidated financial statements of the Company.

In June 2015, the Company sought and obtained an amendment of its Senior Secured Bond that allowed the Company to purchase two Aframax tankers from Ridgebury Aframax Tankers LLC, a company under common control of the Company's parent, Ridgebury Holdings LLC. As the Company and the vessel owning subsidiaries were under common control as of the acquisition dates, the acquisitions were treated as a transfer of entities under common control and represents a change in the reporting entity. As a result, the Company has retrospectively adjusted its historical financial statements to reflect the transfers beginning on December 22, 2014 and December 23, 2014, the first respective date in which the Company's parent had common control of the Company and the acquired vessels, and to include the results of operations in the Company's Consolidated Statement of Operations since that date. These transactions are described further in Note 8.

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 and the vessel owning subsidiaries were under common control at the time of acquisition, and the results of operations have been combined from the original date of the acquisition of the acquired vessels in December of 2014. All significant intercompany transactions and balances with consolidated subsidiaries are eliminated in consolidation.

Common Control Transactions—Businesses acquired from other RT Holdings subsidiaries are accounted for as common control transactions whereby the net assets acquired are combined with ours at their carrying value. Any difference between carrying value and recognized consideration is treated as a capital transaction. To the extent that such transactions require prior periods to be recast, historical net equity amounts prior to the transaction date are reflected in "Net Investment." Cash consideration up to the carrying value of net assets acquired is presented as a financing activity in our consolidated statement of cash flows. Cash consideration in excess of the carrying value of net assets acquired is presented as a financing activity in our consolidated statement of cash flows.

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 cost of bunkers and port expenses are borne by the pool, while operating costs including crews, maintenance and insurance are typically paid by the owner of the vessel. Since the members of the pool 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 statement of operations when that determination is made. For the year ended December 31, 2015 and for the period from February 27, 2014 (date of inception) to December 31, 2014, 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. Fixed assets include vessel capital modifications, such as new equipment or various modifications to the vessel which are aimed at improving or increasing the operational efficiency and functionality of the asset. 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—For the Company's policy on depreciation of vessels, other fixed assets, 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 expenses' in the Company's consolidated statement of operations. The Company is subject to U.S. federal tax at a rate of four percent on its U.S. source gross transportation income derived from voyages that begin or end in the United States. The Company has recognized an expense of $515,095 and $202,550, respectively, for the year ended December 31, 2015 and for the period from February 27, 2014 (date of inception) to December 31, 2014, which taxes are recorded within 'Voyage expenses' in the Company's consolidated statement of operations. The Company may also be subject to U.S. federal tax on the gains it derives from the sales of its vessels. For U.S. tax purposes the Company has elected to be treated as a disregarded entity and therefore Ridgebury Holdings LLC, the direct parent of the Company, would be responsible for payment of these taxes.

Deferred Financing Costs—Costs including bank fees, commissions, and legal expenses associated with securing the 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 statement of operations using the effective interest method as part of 'Interest expense and financing costs'.

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 $17,662,783 and $19,388,196 as of December 31, 2015 and 2014, respectively.

For the year ended December 31, 2015 and for the period from February 27, 2014 (date of inception) to December 31, 2014, 82% and 89%, respectively, of the Company's revenues were earned under the Company's pooling arrangement with the Heidmar Blue Fin Pool, and 84% and 100% of the Accounts receivable at December 31, 2015 and 2014, respectively, related to receivables from the Heidmar Blue Fin Pool.

For the year ended December 31, 2015, 18% of the Company's revenues were earned under the Company's pooling arrangement with Teekay Chartering Limited, and 16% of the accounts receivable at December 31, 2015 related to receivables from Teekay Chartering Limited.

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 Company believes the carrying value of the Senior Secured Bonds approximates fair value based on trades made at or near par value of the Bonds.

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 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. PROPERTY AND EQUIPMENT

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

	2015	2014
Vessel equipment	$ 1,281,766	$ 1,056,206
Less accumulated depreciation	(149,008)	(74,569)
Fixed assets—net of accumulated depreciation	$ 1,132,758	$ 981,637
Vessels	$ 324,910,000	$ 324,910,000
Less accumulated depreciation	(25,565,228)	(10,150,964)
Vessels—net of accumulated depreciation	$ 299,344,772	$ 314,759,036

Depreciation expense was $15,488,703 and $9,066,087, respectively, for the year ended December 31, 2015 and for the period from February 27, 2014 (date of inception) to December 31, 2014. The vessels and vessel equipment transferred to the Company in March 2014 from Ridgebury Tankers, as described in Note 1, had accumulated depreciation at the time of transfer of $1,159,446.

5. DEFERRED DRYDOCK COSTS, NET

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

	2015	2014
Deferred drydock costs	$ 1,160,534	$ 1,151,434
Less accumulated amortization	(358,856)	(119,112)
Total	$ 801,678	$ 1,032,322

Total amortization of drydock costs was $239,744 and $119,112, respectively, for the year ended December 31, 2015 and for the period from February 27, 2014 (date of inception) to December 31, 2014.

6. LONG-TERM LIABILITIES

Senior Secured Bonds—On March 20, 2014, the Company placed $210,000,000 principal amount Senior Secured Bonds (“Bonds”), maturing March 20, 2017. The proceeds were used to acquire five Suezmax tankers, to refinance the portion of a Ridgebury Tankers LLC Credit Agreement loan tranche secured by the Ridgebury Lessley B in order to release the vessel from its mortgage 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 RT Holdings LLC. Interest expense on the Bonds amounted to $15,021,252 and $12,721,041, respectively, for the year ended December 31, 2015 and for the period from February 27, 2014 (date of inception) to December 31, 2014.

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, the Company 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 the Company'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, the Company must achieve certain liquidity and financial ratios as defined by the Senior Secured Bonds Agreement. In June 2015, the Company sought and obtained an amendment of its Senior Secured Bond that allowed the Company to purchase two Aframax tankers from Ridgebury Aframax Tankers LLC, a company under common control of the Company's parent, Ridgebury Holdings LLC. The Company was in compliance with the financial covenants of the Senior Secured Bonds Agreement as of December 31, 2015.

As of December 31, 2015 and 2014, total debt outstanding amounted to $190,000,000 and $210,000,000, respectively. The bonds mature and are fully payable in 2017.

7. COMMITMENTS AND CONTINGENCIES

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.

8. RELATED-PARTY TRANSACTIONS

Transfer of Entities under Common Control

On June 30, 2015 and December 30, 2015, the Company completed its acquisition of Ridgebury Yankee LLC ("Ridgebury Yankee") and Ridgebury Zulu LLC ("Ridgebury Zulu"), respectively, limited liability companies incorporated under the laws of the Republic of the Marshall Islands and formerly wholly owned by Ridgebury Aframax LLC, a subsidiary of the Company's parent, for $21,206,367 and $23,153,065 in cash in exchange for 100% of the membership interests of Ridgebury Yankee and Ridgebury Zulu pursuant to purchase agreements entered into on June 30, 2015 and December 30, 2015, respectively.

Ridgebury Yankee and Ridgebury Zulu are engaged in the business of operating Aframax tanker vessels providing international transportation of crude oil.

As Ridgebury Yankee, Ridgebury Zulu, and the Company were under the common control of RT Holdings as of the acquisition dates, the acquisition is treated as a transfer of an entity under common control and represents a change in the reporting entity. As a result, the Company has retrospectively adjusted its historical financial statements to reflect the transfer beginning on the first date in which RT Holdings had common control of the Company, Ridgebury Yankee and Ridgebury Zulu.

The Company recorded the transfer of Ridgebury Yankee and Ridgebury Zulu's assets and liabilities at their historical carrying value in accordance with U.S. GAAP, and the net assets transferred were recorded as an equity contribution from RT Holdings to the Company as of December 22, 2014 and December 23, 2014.

The impact of the transaction on the Consolidated Balance Sheet and Consolidated Statement of Operations of the Company as of December 31, 2014 and for the period from February 27, 2014 (date of inception) to December 31, 2014 as reported previously and as adjusted in this report are as follows:

	As of December 31, 2014	
	As Adjusted	**As Previously Reported**
ASSETS		
CURRENT ASSETS:		
Cash	$ 11,888,197	$ 11,888,196
Accounts receivable	5,355,032	5,355,032
Prepaid expenses and working capital	10,856,658	8,695,439
Inventory	1,098,879	967,829
Total current assets	29,198,766	26,906,496
NONCURRENT ASSETS:		
Vessels	314,759,036	268,437,036
Fixed assets	981,637	955,312
Deferred drydock costs	1,032,322	1,032,322
Deferred financing	4,267,477	4,267,477
Restricted cash	7,500,000	7,500,000
Total noncurrent assets	328,540,472	282,192,147
TOTAL ASSETS	$ 357,739,238	$ 309,098,643
LIABILITIES AND MEMBER'S EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 5,730,873	$ 6,054,037
Due to affiliates	2,371,949	-
Total current liabilities	8,102,822	6,054,037
LONG TERM LIABILITIES—Senior secured bond	210,000,000	210,000,000
Total liabilities	218,102,822	216,054,037
COMMITMENTS AND CONTINGENCIES	-	-
MEMBERS EQUITY	139,636,416	93,044,606
TOTAL LIABILITIES AND MEMBERS EQUITY	$ 357,739,238	$ 309,098,643

	As of December 31, 2014	
	As Adjusted	As Previously Reported
REVENUES:		
Pool	$ 34,987,106	$ 34,504,422
Time Charter	3,460,680	3,460,680
Voyage	746,981	746,980
Total revenues	39,194,767	38,712,082
OPERATING EXPENSES		
Voyage expense	1,188,457	1,188,457
Vessel operating expense	14,575,129	14,394,224
General and administrative	2,348,541	2,316,572
Depreciation	9,066,087	9,066,087
Amortization	129,852	129,852
Total expenses	27,308,066	27,095,192
OPERATING INCOME	11,886,701	11,616,890
OTHER EXPENSE—Interest expense and financing costs	14,249,742	14,249,742
NET LOSS	$ (2,363,041)	$ (2,632,852)

Management Fees—The Company obtains management services from Ridgebury Management LLC, which is a related party and is owned by the same ultimate parent of the Company. Expenses related to those services for the year ended December 31, 2015 and for the period from February 27, 2014 (date of inception) to December 31, 2014, totaled $3,012,900 and $2,036,100, respectively, and are included in general and administrative expenses in the consolidated statement of operations.

9. SUBSEQUENT EVENTS

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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