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The Week in Review

Too Much of a Good Thing?

What was **Ole Hjertaker** thinking we wondered when we read that **Ship Finance** had terminated its ATM program? Having put the program in place as the company's CFO, he was now dismantling it as its new CEO. The bank market is barely warming up and, in our mind, you can never have enough capital these days. Moreover, the **Fredriksen** empire has always been built around optionality.

The product, too, was competitive and efficient. Up front fees were low as was the market impact. By dribbling in the equity, the drop in share price from the day before the filling to the announcement was insignificant compared to larger overnight offerings. So, why let it go?

For Ship Finance, the answer was quite simple. Analysts and investors were viewing the product negatively because of the dilution effect, both real and perceived. The former were calculating their numbers based upon full utilization, while investors were put off by the perceived substantial equity overhang and the appearance, rightly or wrongly that these "stealth" offerings were the province of weaker companies.

This was "a nice to have" for Ship Finance which has sufficient liquidity and is generating substantial cash flows to meet its limited capex commitments for five newbuilding containerships spread over 2010 to 2012. The company also remains confident in its ability to sell a big block of stock, if necessary. And, finally, like the critics they focus on return and dividend capacity per share and had no near term plans to use it. And so it is gone from Ship Finance's arsenal.

The question now remains as to whether it has, generally, outlived its usefulness?

It Did Serve a Purpose

Ship Finance did, in fact, use their ATM program during the 2nd quarter when they issued 1.4 million shares of the original 7 million registered at a weighted average price of

\$12.24 per share. The net proceeds, of approximately \$16.5 million, together with bank loans of \$90 million were used to partially finance the repurchase of \$148 million in face value of its senior notes due 2013. The notes were purchased for 84.5% of face value, or approximately \$125.4 million. The company recognized, as a result, a non-recurring gain of \$41.7 million.

Engaged!

This week **Sokana Chartering Inc.** and **Navig8** announced that they had formed a joint venture company, **Navig8 Chemicals**. The two companies were well acquainted but operated in different sectors of the tanker market. Sokana commercially manages 30 chemical tankers ranging in size from 8,600 DWT to 29,000 DWT. Focusing on the larger sizes, Navig8 manages 70 product carriers in 3 pools representing the handysize, MR and Aframax segments. Clearly not competitors, the companies saw their businesses as complementary and are now in a position to offer a full range of services to their clients. In addition to expanding their offerings, the companies have increased their coverage worldwide through four offices, Westport, London, Shanghai and Singapore and will benefit from a combined back office and systems. Finally, the partners believe the new venture is well positioned for future growth and hope that the new expanded platform will attract new tonnage.

If the engagement goes well, marriage is likely in the offing.

Navios, Yet Again

Last week **Navios Maritime Holdings** announced that it had acquired two additional Capesize vessels, currently under construction at the same South Korean shipyard for delivery in the 2nd half of 2010. As it has in the past, the company purchased the vessels for a combination of bank debt, cash and mandatorily convertible preferred stock. As **Ms. Frangou** noted in discussing the transaction, "Using mandatorily convertible preferred stock continues to be a competitive advantage as we are able to issue equity significantly above the current market price of our common