

# Banks turn up heat on TMT by forcing ship sales

Nobu Su's Today Makes Tomorrow (TMT) looks set to start losing ships as mortgagee banks and other creditors step up the push for vessel sales

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Troubled TMT's recent announcement that it is calling in restructuring experts has done little to appease its creditors, some of whom have already successfully called for the culling of an "Elephant", with two "Whales" possibly coming in for a harpooning soon.

At the same time, details have emerged about a "Ladybug" getting stopped in its tracks in Belgium.

A court in the Chinese city of Ningbo has ordered TMT's 276,000-dwt bulker *F Elephant* (built 1989) to be sold at auction on Monday. However, TradeWinds was unable to obtain details on the vessel's arrest and the parties behind it before going to press.

Meanwhile, two of TMT's famous Whale-class combination carriers (OBO) could come up for possible judicial sales as main mortgagee bank Mega International Bank Co of Taiwan takes action against them.

TMT's 320,000-dwt OBO *E Whale* (built 2010) might be next on the sales block, say legal sources. The vessel has been under arrest off the South African port of Cape Town for exactly one year this week. It was initially arrested as security required by a creditor for arbitration proceedings in London. Rather than putting up security, TMT left the vessel outside port limits in Table Bay so that port costs and dues would not accrue.

Cape Town-based maritime lawyer Alan Goldberg of Alan Goldberg & Associates, who is acting on behalf of the ship's former and current crew members who are seeking \$220,000 in back pay plus interest, severance pay and repatriation expenses, describes TMT



► **SET FOR THE CHOP?:** TMT's "E Whale" (left) may be the next forced vessel sale, with lawyer Alan Goldberg (below) saying TMT has made minimal input since the vessel was arrested last year.

Photos: ALAN GOLDBERG



to run out of bunkers completely, which has effectively made it a dead ship.

"The owner has simply abandoned the crew to their fate stuck on the vessel at anchorage," Goldberg said. "Effectively, the crew are prisoners on the ship as they are stuck in the bay and have no liberty or shore leave. This has resulted in them suffering significant stress and, in some cases, depression too, so I am also negotiating for their repatriation."

#### SALE STEPS TAKEN

Goldberg tells TradeWinds that Mega International has begun taking steps to secure the sale of the ship, with a sale application expected to be formalised soon.

"What is an almost certainty is that the vessel will be sold by order of court sooner rather than later, and application will be made in that regard shortly," he said.

In Singapore, the owner of the

back wages of 20 crew members stranded on board since the vessel was arrested in late February by bunker supplier KPI Bridge Oil.

The Singapore Maritime Officers' Union (SMOU), which has been assisting the crew recover their wages, says the cargo owner did so in order to get the remaining on-board freight discharged.

"Once the cargo has been discharged, the crew will be repatriated," said Annie Sng, SMOU's assistant manager of corporate communications.

Legal sources add that Mega International has also taken its own action against the *C Whale* and could petition the court for a judicial sale as one of its options.

TradeWinds is told that the presence of on-board cargo has prevented the bank from proceeding further with its claim against the vessel, but it will be able to do so once the freight issue has been resolved.

Antwerp. The 72,400-gt vehicle-carrier *C Ladybug* (built 2011) is said to have been arrested at the end of March. Legal chatter indicates that a bank was behind the arrest.

TradeWinds is told that TMT has been trying to negotiate an agreement with the arresting party in order to secure the vessel's release but, so far, appears to have been unsuccessful in its quest as the *C Ladybug* remained under arrest this week.

TMT is known to have been facing a serious cash squeeze ever since the markets crashed. In March, the company finally admitted it was facing financial pressure and was calling in restructuring experts AlixPartners. Shortly thereafter, the firm announced that Su would be step-

## TANKERS

# Teekay 'forecloses' on VLCC duo in bid to salvage TMT bank loans

The Canadian player's 'creative' financing approach of three years ago does not look so good today given that the counterparty is Nobu Su's wobbling TMT.

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The chickens appear to be coming home to roost on a unique financing gambit by Teekay Tankers from three years ago, as the New York-listed company is said to be foreclosing on two VLCCs now worth a fraction of their original value.

The problem with the 2010 transaction is that Teekay Tankers chose Nobu Su's Today Makes Tomorrow (TMT) as its dance partner, only to see the Asian owner fall deeper into financial distress.

Now Teekay Tankers is looking to salvage its investment in \$115m in bank debt, with market sources saying it is moving to take control of the 317,000-dwt VLCCs *A Elephant* and *E Elephant* (both built 2010).

A Teekay spokeswoman suggested this week that Teekay Tankers management was likely to address the situation in its earnings

announcement and investor call after TradeWinds's deadline on Thursday. No other comment was forthcoming.

However, Teekay Tankers did provide this assessment when it filed its annual report with securities regulators in April: "The borrower on the loans is facing financial difficulty and subsequent to 31 December 2012 has defaulted on its interest payment obligations under the loans since 31 January. If the borrower continues to be unable to make interest payments or to repay principal under the loans, the company may seek to foreclose on its security interest in the VLCCs."

TradeWinds reported in detail on Teekay Tankers's decision in June 2010 to use its low-interest revolving credit facility to buy TMT's \$115m in bank debt, which carried a fat 9% interest rate and a 10% yield.

While some questioned why a shipowner would get into the lending business, most equity ana-



**PETER EVENSEN:** "It's a transaction that banks didn't want to do." Photo: TEEKAY

lysts approved the tack as creative, even as one joked about "Teekay Bankers" and another said: "We didn't think we were recommending a bank."

For Teekay Corp president and former banker Peter Evensen, it was a chance to use Teekay's revolver, which carried an interest rate of around 1.1%, to reap a 9% return — the spread against the 10% yield.

"It's a transaction that banks didn't want to do," Evensen said at the time, adding: "Going through this downturn we were looking at various stressed or distressed opportunities. As you know, there haven't been those but we did come across this opportunity."

Nobu Su also failed to complete a bond issue to support the same ships earlier that year in Oslo.

As TradeWinds reported last week, the walls are closing in on TMT. Mortgage banks and creditors are beginning to push for judicial sales despite the company's disclosure of a financial restructuring, with one bulker on the

sales block and a couple of combination carriers (OBOs) possibly to follow.

TMT is scheduled to take out the Teekay Tankers loan through a bullet payment in July but that now looks unlikely given the company's financial struggles.

Some market sources are suggesting Teekay already has taken control of the *A Elephant*, with the *E Elephant* to follow.

Brokers say the two VLCCs are worth around \$125m combined as against an original purchase price of some \$185m each in 2007.

As TradeWinds reported in 2011, Teekay considered breaking into the lending business in a broader way by developing a finance subsidiary that might have become one of its so-called "daughter" companies. The head job was understood to have been offered to former GE Capital ship-finance man Bob Burke. However, it never came to pass, apparently dying from a lack of support by the Teekay board.

## Time of the essence for stranded 'A Whale' crew

Added distress is in store for the 21 men on board the TMT VLCC who say they are about to run out of fuel

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The crew's situation on the VLCC *A Whale* (built 2010) could become critical in just six days' time, according to the ship's master who is warning that fuel on the tanker, controlled by the financially distressed Today Makes Tomorrow (TMT), is about to run dry.

Speaking to TradeWinds on Wednesday from the bridge of the 320,000-dwt combination carrier (OBO), which has been laid up at anchorage in the Suez Canal for the last three months, an angry Captain Jubair Niaz Khan said pleas for more fuel have gone unanswered by the Taiwanese owner. The 21-man, mostly Indian crew, are also owed around \$300,000 in back pay.

Although living conditions are OK for now, he fears what might be about to happen.

Khan told TradeWinds: "The crew have not seen a penny from the company for four months and if they do not supply bunkers within six days then we will be in blackout, the food in the fridge will all go bad."



**THE 'A WHALE':** The 21-man, mostly Indian crew are owed around \$300,000 in back pay. Photo: US COAST GUARD

Khan is concerned that the company does not have the money to pay for bunkers. The ship burns five tons a day costing more than \$3,000.

"For two weeks we have been asking [TMT] for fuel but no one is picking up the phone," he said.

"I have been sailing for 20 years but I have never known a situation like this. It is horrible."

"I have had crew coming to me crying saying they want to go

home. But if they go home they will not get the money [they are owed]."

A spokesperson for Singapore-based NOS Shipmanagement reassured TradeWinds that the men were about to be paid.

But Khan says the crew have not been informed of payment by the manager and are skeptical of the claim.

He says the International Transport Workers' Federation (ITF) are weak in Egypt and have not been

able to help. As the ship has no cargo on board shippers have not been able to help out either.

"I understand the company is in bad shape," Khan said. "But this is wrong."

Last week, cargo interests helped secure \$300,000 in unpaid wages for the crew of another TMT Whale-class OBO, the 320,000-dwt *C Whale* (built 2010).

TMT crewing agent Yesships is referring specific questions to

NOS Shipmanagement. Captain Subodh Tiwari said: "Like you, we are also just asking for the latest update. We just have to wait and see in this situation."

In a separate development, the 276,000-dwt ore carrier *F Elephant* (built 1989) is proving hard for China's Ningbo People's Maritime Court to sell at auction.

It has been under arrest for over a year in a \$107m freight-forward agreement (FFA) dispute with BHP Billiton.

A courtroom auction scheduled for Monday failed to produce a buyer. On Tuesday, the court decreed a new date of 16 May and added a requirement that bidders must deposit CNY 5m (\$813,974).

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