

## Attachment 2: Project Evaluation System

Marsoft's Project Evaluation Module (PEM) focuses on the long-term market risk of a project, as determined by how a vessel's price compares with historical average, high and low market indicators as well as forecast market development.

A vessel priced at the high end of its historical price range faces a relatively high risk of a decline in value due to adverse market developments. Conversely, a vessel priced at the low end of its historical range faces a low risk from adverse developments.

### Project Definition

The project definition capabilities of the PEM provide for a simple but comprehensive description of the vessel under consideration and the credit package being proposed. The system takes into account vessel-specific factors that may support a premium (or impose a discount) relative to the general market level.

A project may include many vessels (from any segment e.g. dry bulk, tanker, containership, etc.) and/or many loans, each with its own terms. Corporate portfolios containing existing and new vessels/loans can be evaluated too.

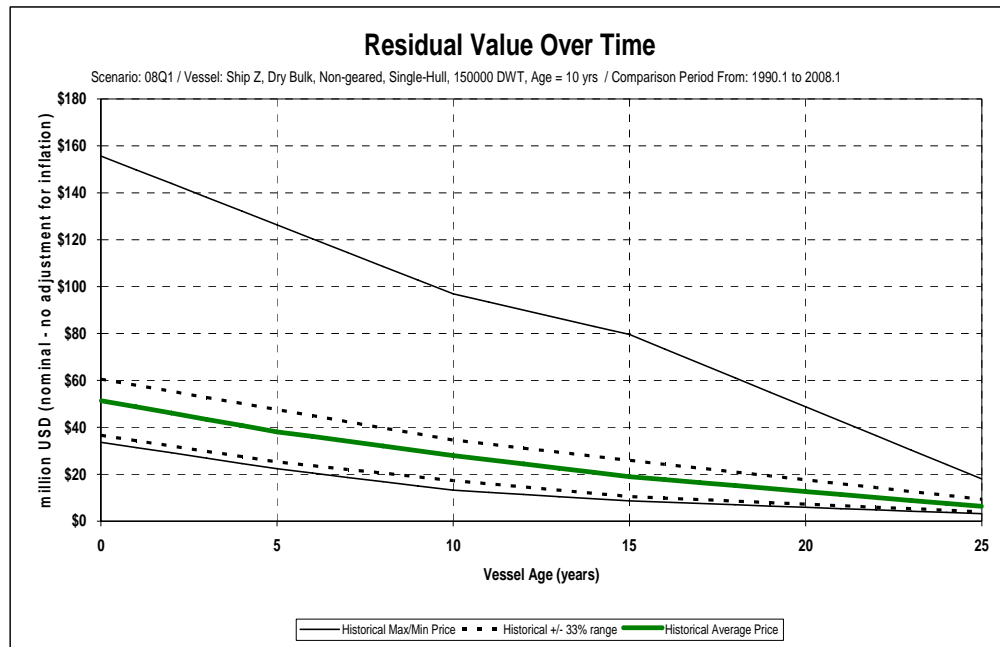
Vessel Specifics	
Name:	Tokyo Maru
Dry, Product, Crude, or Container:	Dry Bulk
DWT (metric) or TEU (nominal):	150,000
Year of Build:	1998
Purchase/Sale Price (\$ mill.):	93
Operating Cost (\$/day):	6300
Charter Terms	
Charter Rate (usd/day):	75,000
Term (years):	3
Charterer:	Baosteel
Charterer Rating:	BB+
Charter Type:	Time Charter

### Residual Value

The chart below shows how PEM provides a project-specific risk profile that takes into account both the market-related and the age-related changes in values. The age of the ship is shown along the horizontal axis, and the vessel value along the vertical axis.

In this example the system uses data spanning the period 1990-2008; the user can set that range to span any period from 1980 to 2008 and to include an adjustment for inflation.

The curves slope down because a vessel's value declines as she ages. The high and low risk price indicators converge to scrap value as the vessel approaches her scrapping age. The green line indicates the average rate of age-related depreciation observed over the historical period; the actual rate of depreciation may be much more (less) rapid if the market falls (rises), a forecast which reverts to average is shown by the blue line.

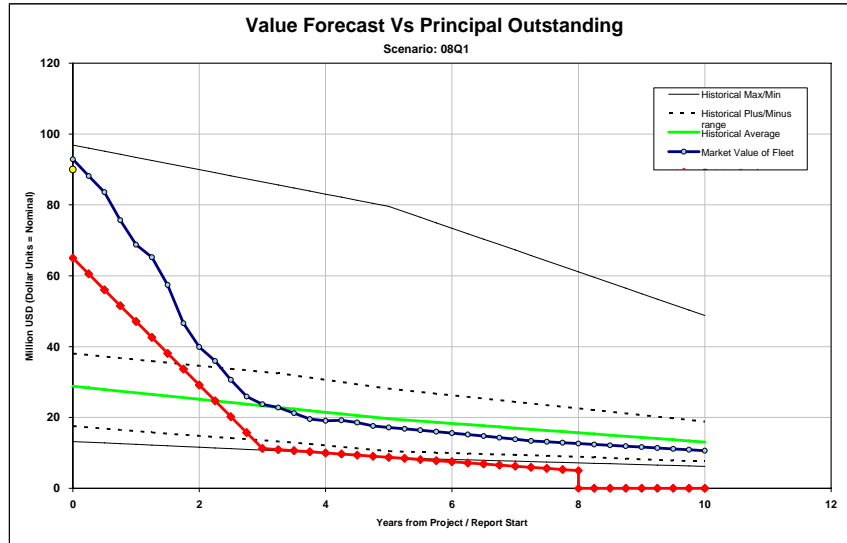


### Investment Analysis

The PEM compares the projected value and earnings profile of vessel with the outstanding loan balance. The comparison highlights the bank's exposure to adverse market developments.

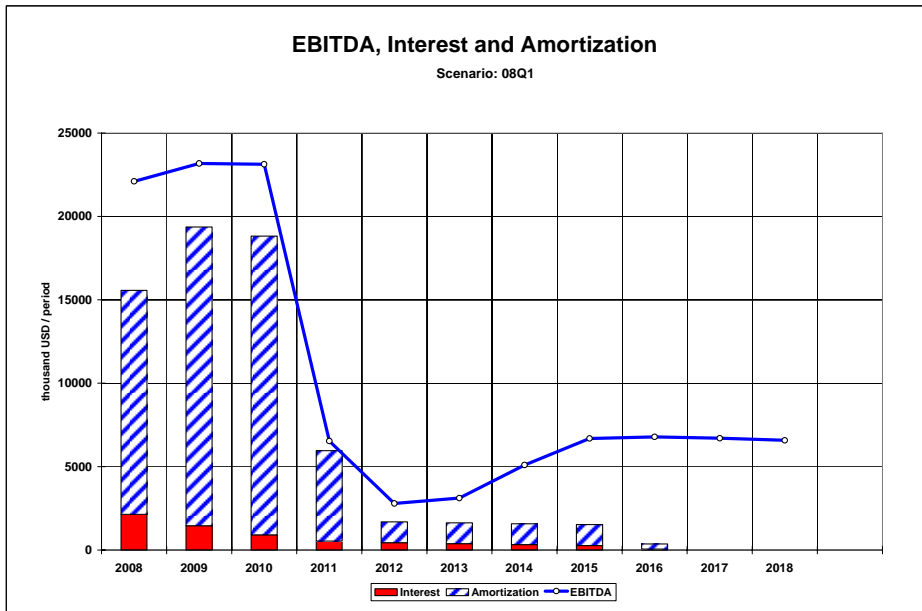
The loan profile analysis is shown below; it includes the value information for the previous chart plus the debt profile for this project.

Note that the debt is repaid quickly in the first three years of the project and much more slowly thereafter. The PEM facilitates this “sculpting” of repayment terms to match the projects risk profile. In this case the debt falls to a level by years which match the lowest observed vessel pricing over the 1990-2008 period.



### Cash Flow and Debt Service

TSCM also compares projected earnings of the vessel as compared with the required principal and interest payments. The chart below shows the total revenues (net of operating cost) earned by the ship as well as the amortization and interest payments. Note that the total debt service requirements match the charter revenues in the first three years of the project.



PEM also calculates the project's return on equity from an investor's perspective. The investment analysis is particularly valuable for projects in which the bank provides sub-debt and/or equity finance.

## Comparable Transactions

PEM provides a report of recent transactions of comparable vessels. The report shows how the specific transaction under consideration compares with other transactions and can help validate that the proposed price accurately reflects market conditions.

The chart below relates the individual transactions to both the vessel under analysis and the historical range of price developments.

Date	Ship Name	DWT	Built	Price	Buyer
Nov-07	Nordstar	150,661	1983	\$ 38.00	-
Apr-07	Arimathian	149,782	1994	\$ 62.00	-
Apr-07	Formosabulk Allstar	150,393	1995	\$ 65.00	Greek interests
Apr-07	Nautical Dream	151,439	1994	\$ 63.50	Korean interests
Jan-07	CHS Moon	151,227	1990	\$ 45.00	Clients of Transfield
Jan-07	Spring Brave	151,066	1995	\$ 60.00	Greek interests
Dec-06	Cape Venture	150,393	1996	\$ 62.00	Clients of Cardiff Marine
Sep-06	Silver Clipper	151,454	1993	\$ 48.00	Korean interests
Aug-06	Welfair	150,108	1991	\$ 38.00	Clients of GO Carriers
Aug-06	Gateway Bulker	151,439	1994	\$ 45.00	-
Aug-06	Linda Emilia	150,940	1991	\$ 38.00	Clients of J. Bekkers
Mar-06	Noble Dragon	149,782	1994	\$ 30.50	-
Feb-06	Cleopatra Dream	149,989	1990	\$ 20.30	Clients of Seacrest Shipping
Sep-05	KWK Legacy	149,505	1993	\$ 35.50	-
Aug-05	Cape Lilla	149,528	1989	\$ 27.00	Clients of Polembros Shipping
May-05	Nordstar	150,661	1983	\$ 40.00	Turkish Interests
Apr-05	Noble Dragon	149,782	1994	\$ 54.00	-