

Issuer: FSL Trust Management Pte. Ltd.

Security: First Ship Lease Trust

Meeting details:

Date: 28 April 2017

Time: 14:30H

Venue: Meeting Room 328, Level 3, Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593

Company Description

First Ship Lease Trust operates as a ship owner and provider of leasing services on a long-term bareboat charter basis to the international shipping industry. The company also leases vessels on short-term time charters and pools. As of December 31, 2015, it had a portfolio of 24 vessels comprising 12 product tankers, 7 containerships, 3 chemical tankers, and 2 crude oil tankers. The company was incorporated in 2007 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=)

Q1. In the Chairman’s Letter to Unitholders (pages 4 to 5 of the annual report), it was said that:

The highest priority for the Board is to secure a refinancing of the outstanding debt, and to this end we are considering a variety of strategies. As a Board, we are committed to improving the structure of the Trust’s balance sheet in a manner that enables unitholders to benefit. This will require the balance sheet to be strengthened and we are considering various options in this regard. As part of these considerations we are requesting Unitholders to approve a general mandate to issue pro-rata renounceable rights of up to 100% of the Trust’s capital.

As seen from Note 12 (page 70 – Bank loans and derivative liabilities), the applicable margin over US\$ 3-month LIBOR is 2.8%, suggesting that the value-to-loan (VTL) ratio is between 140% to 180% as at 31 December 2016.

On 14 March 2017, the trust announced that it will “prepay United States Dollars 20 million of the principal amount under the Syndicated Loan Facility, at the end of this quarter from available cash, thereby reducing the outstanding loan balance”. In addition, FSL Trust will pledge FSL Osaka to the Lenders.

Despite the healthy VTL ratio, the gearing ratio of 47.3% (as at 31 December 2016), the prepayment of USD20 million and the pledging of FSL Osaka (worth an estimated USD18 million) at the end of March 2017, the trust has so far been unable to secure the refinancing of the Syndicated Loan Facility.

- a) **Can the board tell unitholders what has been the main hurdle in the refinancing of the syndicated loan facility? Has a term sheet/a refinancing package ever been offered to the trust in the past year?**
- b) **What are the other options available to the trust that would preserve the value of the trust?**

The Statement by the Trustee Manager (page 39) mentioned that “there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they fall due”. However, the auditors have expressed concern and highlighted the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Trust to continue as going concerns.

- c) **Can the Trustee Manager provide its justification that “there are reasonable grounds to believe that the Trust will be able to pay its debt as and when they fall due”?**

Q2. At the Ninth Annual General Meeting of the trust that was held on 29 April 2016, unitholders approved the resolution for a general mandate to issue pro-rata renounceable rights of up to 50% of the trust’s capital. The manager has not utilised that mandate. Instead, the trust is requesting unitholders to approve a general mandate to issue pro-rata renounceable rights of up to 100% of the trust’s capital, under SGX’s newly introduced Enhanced Rights Issue Limit.

- a) **Can the board comment if a pro-rata renounceable rights of up to 50% of the trust’s capital is insufficient for the trust’s current financing needs, and hence the need to increase it to 100%?**
- b) **What is the shortest possible time needed (from the launch to the close of any possible rights issue) given the structure of the trust?**
- c) **Should the trust call for a rights issue, what would be the latest possible date administratively to do so to allow the trust to use the proceeds to refinance the syndicated loan?**

Q3. In the announcement dated 6 February 2017 announcing the cessation of Director and CEO, the trust had provided an annexure that included the board’s responses and conclusions, of which some are reproduced as follows:

- i. *Documents discovered show that he (Alan Hatton) was acting, at the material time, in furtherance of his own agenda and in disregard of his duties as CEO and director and his obligations to unitholders.*
 - ii. *That Hatton's establishment of and involvement as majority shareholder in the business of Lionwharf was entirely unacceptable, especially as its business was in the shipping industry. The Board was and is deeply disturbed by the conflict of interest and blatant breach of duties.*
 - iii. *That Hatton's disclosures of confidential information were gross breaches of express and implied duties of fidelity and loyalty*
 - iv. *Hatton had been acting in furtherance of his own agenda, and in disregard of the Board's views and his obligations to the unitholders and as CEO and director*
- a) **Based on the board's observations and conclusions of Mr Hatton's breach of fiduciary duties, unitholders would like to know if the board considers the former executive director and CEO as have breached his fiduciary duties of a director will be pursuing any legal action against Mr Hatton? Also, what actions has the company taken to prevent a recurrence?**