PUBLIC SHIPPING: THE ULTIMATE MULTIPLIER

By Gary Wolfe, Partner, Seward & Kissel LLP

My task is to try to assess the multiplier effect that the initial public offering (IPO) of a company originally owning one vessel could produce.

There are so many different parties involved with an IPO. Each of them, in turn, has its own multiplier effect.

Let us assume that our vessel is one of a number of vessels, say five vessels, that are owned by a vessel owning company (the IPO Company) that is going public in the United States. Let us further assume that the IPO Company is incorporated in the Marshall Islands and operated from either Greece or Norway. Those are the two most likely jurisdictions for the sponsors of shipping IPO's and operators of vessels.

The multiplier effect, meaning the number of people that the offering will benefit both directly and indirectly, is astounding. Just on the regulatory side, we have in the United States the:

-- Securities and Exchange Commission (SEC)
-- New York Stock Exchange (NYSE) or Nasdaq
-- Public Company Accounting Oversight Board (PCAOB)

Let us start with them. The IPO Company will file a Registration Statement with the SEC that is reviewed by two legal disclosure reviewers and two accounting reviewers employed by the Division of Corporation Finance. On top of that, there are legal and accounting "Branch Chiefs" for the particular SEC industry unit. There are also the secretaries and the delivery persons (yes, even the SEC has people who pick up the mail or send faxes). If the IPO Company gets into trouble, the SEC Division of Enforcement could also get involved in the process. Of course, we do not want that to happen.

The SEC is supported not only by the U.S. taxpayer, but also through the filing fee that the IPO Company will pay. For 2011, the fee is $116.10 per million dollars. Accordingly, the fee for a $200 million offering would be $23,220.

The NYSE will charge a listing fee of $125,000 for a $200 million offering of 20 million shares. In addition, there will be an annual maintenance fee. The listing fee on the *Nasdaq* will be $150,000.

Other Parties. There are many, many other parties involved in a shipping IPO, especially when the IPO Company is formed and operates from outside the United States.

These include the:

- *U. S. Securities Lawyers.* The fees that they will charge will range from approximately $500,000 to $2,000,000 depending on the experience, efficiency and billing rates of the firm that the IPO Company chooses and how complicated the IPO is.

  Aside from associates and partners, law firms employ secretaries, messengers, porters and I.T. people. Law firms also pay taxes and rent.

- *Foreign Lawyers.* These are our colleagues in shipping jurisdictions such as Greece, Norway, Bermuda, Cayman Islands, Bahamas, Liberia, Marshall Islands, Singapore, Isle of Man, Malta, Cyprus and the U.K. Depending on where the vessels are registered and which laws govern the IPO Company's important contracts, the IPO could involve several of these jurisdictions. The legal fees for each law firm could range from $7,500 to $30,000 or $40,000 depending on what is being asked of the particular foreign lawyer. In addition, the foreign corporate and maritime registries will receive fees for organizing subsidiaries, certificates of good standing, mortgage recordings and discharges and the like.

- *Underwriters and Underwriters' Counsel.* The bankers must not be forgotten. Everyone considers investment bankers to be wealthy at an early age. However, we cannot forget that investment bankers generally operate on a "no cure, no pay" basis for IPOs. They can work for months on a deal which does not "price" (succeed) at the last minute. This could involve preparatory and due diligence trips to the IPO Company's headquarters, and later an expensive road show, with private planes, hotels, breakfasts, lunches and dinners. In addition, and this will make the ship owners out there happy, the top tier underwriters will generally bear their own legal fees for the offering. So, let us not complain when we learn that the underwriting syndicate for our $200 million offering will collect fees of approximately $14 million. They will have worked for months on a handshake.

Many, many people are supported from the fees that underwriters receive in an IPO. Please see "Sex and the City", the New York City Zagat Restaurant Guide and the latest Manhattan and Greenwich real estate listings.

- *Financial Printers.* These are the people who actually produce the glossy prospectuses that the investors receive, and who make the final SEC electronic filings. Their fees for an IPO can run between $100,000 - $200,000. In my first shipping IPO in 1985, which went on for months, cleared the SEC, underwent a road show but did not price, the printers' charges were $199,000. So, at that rate, the financial printers have become "bargains". What has changed? In 1985, we barely had word processing and the financial printers kept and edited the documents on their systems starting early in the process. Our goal now is to do as much as we can on word processing for as long as possible. Accordingly, we give the documents to the financial printers much later in the process.

- *Experts.* The market is such an important part of most shipping IPOs. Both for reasons of having a good, detailed market discussion and for liability concerns, the prospectus for our IPO will include information supplied by an industry expert or even from text that the expert has drafted and which the IPO Company's management, the lawyers and bankers have redrafted. The fees can range from gratis (a ship broker doing this for a favored customer) to above $50,000. Remember, the expert will need to have reliable access to market data. That costs money.

- *Accountants.* Let's not forget the auditors. They are the "deep pockets" in any public offering if something goes wrong. In the world of reputable public offerings, the banks have virtually limited companies to the top four accounting firms. (When I did my first shipping IPO in 1985, there were the top ten.) Accounting fees for an IPO can reach $500,000 or more. Accounting firms employ support staff similar to that for law firms. There are also junior and senior accountants, managers and partners. As for the collateral benefits, even accountants are consumers.

- *The IPO Company and its Employees.* I am discussing the IPO Company and its employees at the end of my list, but they actually come first. After a successful IPO, the IPO Company will be better capitalized. It will have more equity for growth. Depending on its business model, it may be better situated than before to withstand the volatility experienced by so many sectors of the shipping industry. The IPO Company may use the offering proceeds to pay down debt to its commercial lenders (another set of beneficiaries of the IPO). The IPO Company will be able to expand and employ more officers and crew. The IPO Company will help support the insurance markets (where the City of London benefits). The IPO Company's vessels will undergo class inspection periodically. The IPO Company may contribute to industry groups.

One can view an IPO as a means of sending money in so many directions, but that view is simply wrong. As we have seen, our IPO will produce a myriad of direct and indirect benefits for itself, its "stakeholders" and others. Shipping is the ultimate "multiplier" for the world economy. By going public, our IPO Company will not only benefit the participants listed above, but also producers and consumers in the countries that its fleet will serve.

PROSPECTUS

4,575,000 Shares
SCORPIO TANKERS INC.

COMMON STOCK

Scorpio Tankers Inc. is offering 4,575,000 shares of its common stock.

Our common stock is listed on the New York Stock Exchange under the symbol "STNG". The last reported sale price of our common stock on November 16, 2010 was $9.80 per share.

Investing in the common stock involves risks. See "Risk Factors" beginning on page 18.

PRICE $9.80 A SHARE

	Price to Public	Underwriting Discounts and Commissions*	Proceeds to Company
Per Share	$9.80	$0.53508	$9.26492
Total	$44,835,000	$2,447,991	$42,387,009

* We have agreed to reimburse the underwriters for certain legal fees they incur in connection with this offering. See "Underwriting" beginning on page 116 of this prospectus.

We have granted the underwriters the right to purchase an additional 686,250 shares of common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters are offering the common stock as set forth under "Underwriting." The underwriters expect to deliver the shares of common stock to purchasers on November 22 , 2010.

MORGAN STANLEY

Fearnley Fonds | *Dahlman Rose & Company* | *Lazard Capital Markets*

Knight | *DVB Capital Markets*

November 16, 2010

Economic Multiplier

Contribution from a successful two hundred million

Initial Public Offering: $16,463,220