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Ocean Yield (OYIEF) – Maintain NEUTRAL. We do note that the company's reduced dividend is currently yielding 8% and looks sustainable. More importantly, three more of its oil-service related vessels have been dealt with. It sold the 75% interest in the SBM installer and will receive $30 million to enhance liquidity.

The Far Senator and Far Statesman have been earning zero for nearly two years under a standstill agreement with Solstad as it restructured debt with creditors. There is now an agreement that should be finalized in 3Q. Under the terms of the deal, Ocean Yield's two ships will be part of a pool of seven similar vessels in total. They will earn a fee based on the average charter rate of the pool vessels. Several of these vessels are working currently, with the Statesman recently signing a new charter. OYIEF should start to collect revenues again from these vessels in 3Q or 4Q. It will also receive stock in payment for the past revenue that it deferred.

It entered a JV with its parent Aker on 4 product tankers and 3 oil tankers that infused $10 million in capital to Ocean Yield. It netted another $11 million after retiring debt from an insurance claim on a car carrier vessel in 3Q. The wildcard remains the FPSO, which is being evaluated for three different projects. It recorded costs of $2.8 million the quarter, which Ocean Yield expects to reduce. FCF is running about $55-$60 million per quarter giving cushion to sustain the quarterly dividend of under $9 million in our view plus pay down debt as the company awaits the FPSO outcome. The other wildcard is the Connector – which continues to operate on a series of lumpy short-term contracts. There is demand for it, but Ocean Yield continues to avoid a long-term deal at a low fee, vs waiting for the market to improve further. So, an 8% yield, but likely the FPSO needs to be resolved before there is reason to believe in a catalyst for some growth.

Explanation of EQ Rating Scale

6- "Exceptionally Strong"	Indicates uncommonly conservative accounting policies to the point that revenue and earnings are essentially understated relative to the company's peers. Higher possibility of reporting positive earnings surprises
5- "Strong"	Indicates the company has no areas of concern with its reported results and we see very little risk of the company disappointing due to recent results being overstated from aggressive reporting in recent periods.
4- "Acceptable"	Indicates the company may have exhibited a minor "red flag", but the severity of the issue is not yet a concern. Minimal risk of an earnings disappointment resulting from previous earnings or cash flow overstatement
3- "Minor Concern"	Indicates the company has exhibited either a larger number of or more serious warning signs than companies receiving a 4. The likelihood of an immediate earnings or cash flow disappointment is not considered to be high, but the signs mentioned deserve a higher degree of attention in the future.
2- "Weak"	Indicates the company's recently reported results have benefitted materially from aggressive accounting. Follow up work should be performed to determine the nature and extent of the problem. There is a possibility that upcoming results could disappoint as the impact of unsustainable benefits disappears.
1- "Strong Concerns"	Indicates that the company's recent results are significantly overstated and that we view a disappointment in upcoming quarters is highly likely.

In addition to the numerical rating, the EQ Review Rating may also include either a minus or plus sign. A minus sign indicates that our analysis shows the overall earnings quality of the company has worsened since the last review and there is a possibility the numerical rating will fall should the problem continue into the next quarter. Likewise, a positive sign indicates that the overall earnings quality is improving, and the company may see an upgrade in its numerical rating should the trend continue.

Key Points to Understand About the EQ Score

The EQ Review Rating is much more than a blind, quantitative scoring method. While we utilize proprietary adjustments, ratios, and methods developed over decades of earnings quality analysis, the foundation of all of our analysis is reading recent SEC filings, press releases, conference call transcripts and in some cases, conversations with managements.

The EQ Review Rating is not comparable to a traditional buy/sell rating. The Rating is intended to specifically convey the extent to which reported earnings may be over/understated. Fundamental factors such as forecasts for future growth, increasing competition, and valuation are not reflected in the rating. Therefore, a high score does not in itself indicate a company is a buy but rather indicates that recent results are a good indication of the underlying earnings and cash generation capacity of the company. A low score (1-2) will likely result in us performing a more thorough review of fundamental factors to determine if the company warrants a full-blown sell recommendation.

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