

Capital Raising in the United States: A Look at Private Equity Investing



VASILIKI TSAGANOS Partner

Capital Link Greek Shipping Forum

February 29, 2012

The New Capital — Private Equity in Shipping



- ❑ **What is Private Equity?**
- ❑ **Who are the Players?**
- ❑ **Recent Deals in Shipping**

Why Is Shipping Attracted to Private Equity



- ❑ **Private Equity Funds and Hedge Funds have a lot of committed and undrawn capital**
- ❑ **Traditional sources of debt financing have dried up**
- ❑ **Public capital markets are generally closed at this time**
- ❑ **Ability to act quickly**
- ❑ **It is private (assuming company is not yet public)**

Why Shipping Can Be Attractive to Private Equity



- **Opportunity in current down cycle**

What is Private Equity Looking For



- ❑ **Investment horizon of 3-5 years – PE firm must see a realistic exit at the time they invest**
- ❑ **High return requirements of greater than 25%**
- ❑ **Assets have to be financeable**
- ❑ **Highly developed business plan | Right management team with proven track record**
- ❑ **Attractive Assets**
- ❑ **Close monitoring of Company's performance**
- ❑ **Terms of Transaction**

What are the Potential Strategies for Private Equity Investing



- ❑ **Buy Out of a Company**
- ❑ **Equity Investment in a Company**
- ❑ **Mezzanine Debt in a Company**
- ❑ **Joint Venture**
- ❑ **Roll-up by Acquiring Vessels**

Customary Terms of a Minority Investment



- ❑ **Generally Preferred Stock**
- ❑ **Board representation/Observer Rights**
- ❑ **Governance and veto rights over major decisions**
 - Significant Transactions
 - Management
 - Information Rights
 - Exit Transactions

Select Issues to Watch for as a Company Seeking Investment



- ❑ **Confidentiality**
- ❑ **Speed**
- ❑ **Certainty**
- ❑ **Indemnification**

Select Issues: Going Private Transactions



- ❑ **Teaming up with management and significant stockholders in going private transactions (terminating public company status)**
 - Conflicts – Process is important

Challenges to Private Equity Investment in Shipping



- ❑ **Private Equity still continues to be new to shipping**
- ❑ **Strike balance for exit transactions**
- ❑ **Distressed investing is challenging**



+1.202.639.7078
vasiliki.tsaganos@friedfrank.com

VASILIKI B. TSAGANOS concentrates her practice in corporate transactions and securities matters. She has broad experience in a variety of financing transactions, representing issuers, underwriters and selling stockholders, including public offerings and private placements. She also regularly counsels clients on a wide variety of corporate governance, securities law compliance and other general corporate matters. She has represented clients in the shipping industry on both debt and equity offerings.

Ms. Tsaganos is a co-editor of *The Practitioner's Guide to the Sarbanes-Oxley Act*, published by the American Bar Association. She has written articles in numerous publications, including *Compliance Week*, the *Journal of Investment Compliance*, *Insights* and the *Securities Regulation Law Journal*.

Ms. Tsaganos is recognized by *Legal 500* in Finance: Capital Markets: Equity Offerings - Advice to Managers. She was a finalist for the *Washington Business Journal's* 2008 Top Washington Lawyers Award in the Corporate Finance category.

New York | Washington DC | London | Paris | Frankfurt | Hong Kong | Shanghai

