



Restructuring: Opportunities for a New Beginning

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I. State of the Global Shipping Industry

a. “Positioning for the Rebound”

II. Distressed Investment Community Views Shipping as a “Hot Sector”

Private-equity and hedge funds are accumulating shipping debt at the fastest pace since they began buying the risky loans from banks two years ago, raising prospects of the firms eventually owning the vessels. Source: Bloomberg News, 28 February 2014

“[S]elect opportunities to buy the debt of operators or to buy portfolios of vessels at prices below their intrinsic value are now available to informed investors...” Source: PIMCO Investment Viewpoints Report

“Large pools of smart, patient money in the form of distressed investors buying into the shipping sector right now.” Source: Leading distressed investing industry report, 14 February 2014

RESTRUCTURING THESIS

“If I was still managing a [shipping] portfolio at a bank, I’d be unloading like mad.”

III. What Informs My Views

- a. Former Executive with U.S.-based shipping company
- b. Restructuring lawyer
- c. Distressed investor

IV. Restructuring Reality Check

- a. Issuing debt created a point of entry for new “partners”
- b. Prolonged distress in shipping industry opened the gates
- c. Restructuring is a reality

- d. How do you want to emerge?
 - i. Controlling Shareholder
 - ii. Minority Shareholder
 - iii. Management Employee
 - iv. “Other”

V. Keys to a Successful Restructuring

- a. When is a Restructuring Inevitable?
- b. Know thy Adversary
- c. Pick the Right Team
- d. Develop the Right Strategy
- e. Milestones
- f. Successful Implementation

REALITY BITES

- ❖ Know when it is time
- ❖ Time is not your friend
- ❖ The longer you wait, the more things change
- ❖ Existing lenders have more time to exit
- ❖ Changing dynamics
- ❖ Negotiations become moot or stall
- ❖ Cost and expense

KNOW THY ADVERSARY

- ❖ Experts in restructuring
- ❖ Top-tier advisors
- ❖ Deep pockets
- ❖ Outcome-oriented
- ❖ Drive the restructuring process
- ❖ Seek timely and certainty of execution
- ❖ Existing Ownership and Management are merely an option

PICK THE RIGHT TEAM

- ❖ Board/Special Committee
- ❖ Critical Evaluation of Existing Senior Management
- ❖ Outside Advisors
- ❖ Others that “need to know”

DEVELOP THE RIGHT STRATEGY

- ❖ Select the rules of engagement
- ❖ Don't let advisors disrupt the process
- ❖ Have realistic expectations
- ❖ Establish objectives for certainty of execution and implementation

IN THE MEANTIME...

- ❖ Manage the business
- ❖ Manage cash
- ❖ Manage expenses
- ❖ Develop a contingency plan
- ❖ Seek alternative financing or investment sources

IMPLEMENTATION

- ❖ Plan Support Agreement
- ❖ Chapter 11?
- ❖ Avoiding Free Fall

CONCLUSION

Given the prolonged downturn in the shipping industry, regulatory and other pressures on traditional ship lending institutions, and a ready source of capital seeking attractive investment opportunities, it is without question that distressed loans will change hands, many going from European and Asian lenders to U.S.-based investors who will rely on U.S.-style restructuring methods to reorganize the loans or monetize the assets.

Shipowners and executives with a desire to maintain their positions can manage through the current restructuring cycle and emerge in a stronger position if they are realistic about their situation, take the time to educate themselves on the process, understand the investment objectives of the new lenders, and are prepared to engage in a restructuring process in a commercially reasonable manner.

About the Speaker

Robert Burns is the chair of the Bracewell & Giuliani Maritime Investment and Restructuring Practice. Bob has extensive maritime law experience starting with his position as general counsel of American Commercial Lines, where he advised the company on legal issues such as vessel acquisitions, charters, shipbuilding contracts, ship finance matters, regulatory compliance and international business development. He has also executed dozens of shipping transactions in the U.S., South America, Europe and Asia. Bob has served as counsel in several maritime restructuring matters, including company counsel to Marco Polo Seatrade, TMT Shipping, Trico Marine Services, Omega Navigation Enterprises, and several private shipowners in the United States, Germany, Greece, Asia, Denmark and Norway. On the investor side, Bob has served as counsel to, among others, bondholders in the OSG bankruptcy; an Irish investment fund in the General Maritime bankruptcy; and German and Norwegian investors in the Sanko insolvency proceeding. Bob also represents corporate, private equity and hedge fund clients in the evaluation and execution of investment strategies in the U.S. and international shipping sectors.

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