

Joint ventures in shipping

Capital Link Greek
Shipping Forum
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In the press.....

Boasteel Signs China Shipping Joint Venture

CONCOR and NYK Line in joint venture

Sungas Holdings in joint venture with Stolt Nielsen

*New USD430 million shipping joint venture sets sail
GEM – Gulf Energy Maritime PJSC – is a new USD430m joint venture shipping company, launched today.*

Stena Bulk forms joint venture with Japanese shipping company Asahi Tankers

Sri Lanka national carrier in joint venture with Greek shipping dynasty – Ceylon Shipping Corporation (CSC), Sri Lanka's national shipping line, has struck a deal with a member of a famous Greek shipping dynasty for a joint venture project to transport petroleum products and supply ship fuel.

Overview

- Planning a joint venture: structuring considerations
- Management of the joint venture
- Capital and funding
- Disputes and deadlock
- Termination and exit strategies

Planning: structuring considerations

- Jurisdiction of incorporation of the JV company
 - tax-neutral jurisdiction
 - restrictions on foreign ownership
 - limitations on getting JV profits out
- Practicalities (holding of board meetings)
- Third party financier preferences
- Competition/anti-trust issues
- Specialist structures e.g. Sharia compliant structures
- Intention to list? Best jurisdiction for likely market of listing

Management of the joint venture

- 50/50 deadlock or majority/minority structure?
- Where the JV partners comprise a ship owner/operator and financial investors a balance is needed between:
 - the manager’s freedom to operate the business; and
 - safeguards giving the financial investors a say in key decisions
- Board composition – appointment, frequency of meetings, quorum, voting
- Reserved matters – requiring unanimous approval, for example:
 - acquisition or disposal of vessels
 - entering into long-term charters
 - termination or material variation of the management agreement
- Establishment of investment criteria and/or chartering strategy

Appointment of a manager

- Scope of authority of manager: general power and authority granted to the manager with specific matters reserved to the board
- Fee structure:
 - basic management fees; and
 - fee payable on vessel sale/acquisition
 - incentivisation arrangements

Capital and funding

- Initial capital injection unlikely to be sufficient going forward
- Future funding:
 - obligation on shareholders to provide? If so:
 - additional equity contribution
 - loan?
 - what if a shareholder fails to provide?
 - requirement to obtain external funding? If so:
 - shareholder guarantees?

Disputes & deadlock

- Escalation within shareholder organisations
- Third party arbitration
- If resolution is impossible:
 - Russian roulette
 - Texas shoot-out
 - Voluntary liquidation

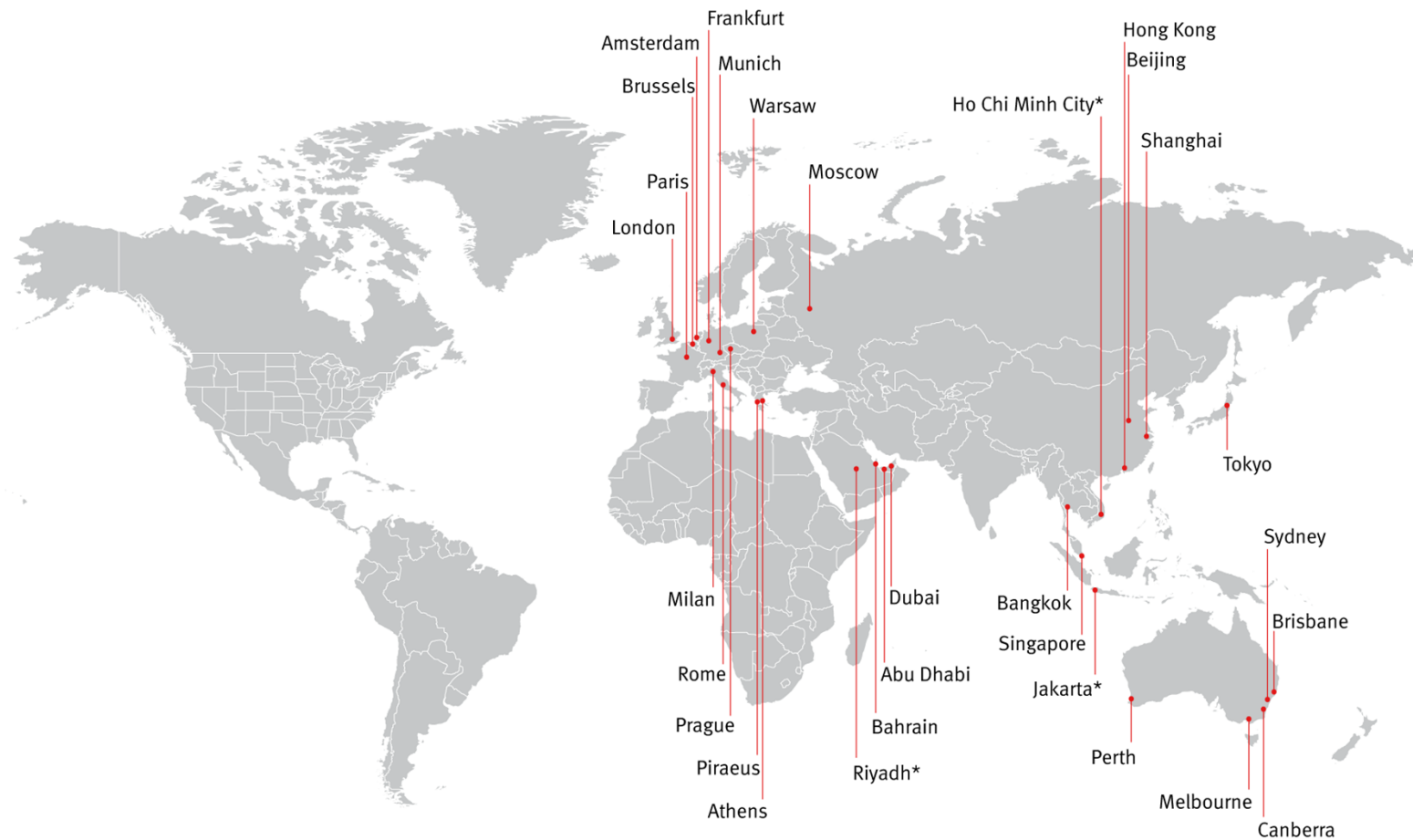
Possible triggers for termination

- Change of control of a shareholder
- Material breach of the Shareholders' Agreement
- Insolvency of a Shareholder
- Completion of term of joint venture
- Termination or exit by agreement

Exit strategies

- One or more parties to remain invested:
 - first right of refusal
 - put/call options
- Both parties wish to realise investment:
 - trade sale
 - voluntary winding-up
 - listing on London, New York or Hong Kong/Singapore?

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