



The Ship Finance Publication Record

April 15, 2004

CIBC AND BTM CAPITAL CLOSE \$225M US SHIPPING REFINANCING

CIBC and BTM closed a \$225 million term loan and revolver for Paul Gridley-led BB-rated US Shipping last week. The new deal is comprised of a \$200 million six year term loan priced at 225bps over LIBOR (which takes out a \$130 million six-year amortizing term loan) and \$25 million five-year revolver (which takes out a \$10 million five year revolver). The original deal was put in place in August of 2002 when the newly formed company acquired and leased back six US flag integrated tug barges from Amerada Hess through a management buy out. The majority of the \$41 million of equity for the MBO was provided by Sterling Investment Partners with the balance coming from Gridley and other members of the management. The sellers also took back a note to make the capital structure work.

In addition to refinancing the existing term loan and revolver, proceeds of the new US Shipping deal include repaying \$29 million of 9% subordinated notes held by seller Amerada Hess; paying a \$15 million dividend to Sterling and the other equity investors and giving the company liquidity to acquire further vessels, such as the facility and has about \$100 million of un-amortized principal outstanding upon maturity, the deal was oversubscribed by the institutional leveraged lending community who liked the yield and don't even want the money repaid earlier than is necessary. To be sure, US Shipping will continue to have to renew their fleet, but the management have proven themselves to be energetic and creative dealmakers, so we suspect this will not be a problem.

Although US Shipping is not well known in the international marine finance community, we think it should be. In our view, what this deal shows most of all is that Paul Gridley, Joe Gehegan and the rest of the team have been working together with their bankers and their equity investors to meet their financial and operational responsibilities, make money and create a real business franchise operating in a market that we think has outstanding fundamentals for both operations and consolidation. Well done.