STERLING
INVESTMENT PARTNERS

NEWS RELEASE

Sterling Recaps Shipping Firm

By Kelly Holman
May 3, 2004

Sterling Investment Partners LP, a Westport, Conn.-based private equity firm, said Monday, May 3, it had completed a $225 million recapitalization of portfolio company United States Shipping Master LLC, an Edison, N.J.-based petroleum tanker business.

CIBC World Markets Corp. provided a $225 million senior secured credit facility to United States Shipping, a 2-year-old portfolio company of Sterling Investment Partners. "This recapitalization will enable the company to continue to build its business while taking advantage of the current favorable interest rate environment," said M. William Macey, Jr., a managing partner of Sterling Investment Partners, in a statement.

As part of the recapitalization, the new debt will be used to pay a $15 million distribution to Sterling Investment Partners. In addition, proceeds from the new debt will be used to refinance debt on United States Shipping's balance sheet, new equipment purchases and the acquisition of the Charleston, a 48,000-ton double-bottomed specialty chemicals tanker, from Exxon Mobil Corp. subsidiary SeaRiver Maritime Inc.

Terms of the tanker purchase were not released. Paul Gridley, chief executive of United States Shipping, said the refinancing will enable the company to continue expanding its six tanker fleet.

The Charleston, which transports chemicals via ocean trade routes, joins United States Shipping's existing fleet of six U.S-flagged tankers. The six vessels shuttle refined petroleum products, including gasoline, heating oil and jet fuel between U.S. ports for oil companies.

Sterling's involvement with the petroleum tanker business can be traced back to September 2002. That's when Sterling acquired the U.S. flag tanker unit of New York-based Amerada Hess Corp. for $199.8 million through an entity named United States Shipping LLC. The Connecticut private equity firm invested more than $45 million of equity in the deal.

At the time of Sterling's purchase, Douglas L. Newhouse, a managing partner of Sterling Investment Partners, said the vessels represented "the largest and most modern vessels that operate in the Jones Act." The Jones Act, along with related statutes, requires that vessels used to transport cargo and passengers between U.S. ports be owned by U.S. citizens, manufactured in U.S. shipyards and operated by U.S. crews.

In May 2003, United States Shipping acquired two chemical tankers in a deal valued at more than $50 million. Investors in that deal included an affiliate of Hartford, Conn.-based Aetna Life Insurance Co., PPM America Capital Partners, a wholly owned subsidiary of Prudential Portfolio Managers Ltd. of London, and Landmark Partners Inc. of Simsbury, Conn.