

WATSON FARLEY
&
WILLIAMS

RESTRUCTURING: AVOIDING AN UNCONTROLLED COLLAPSE

ANDREW BAIRD, PARTNER, HEAD OF DUBAI OFFICE

14 NOVEMBER 2016



The issues facing owners and their lenders

- Market conditions:
 - Depressed shipping markets
 - Insufficient cash flow
 - Low asset values
 - Limited fresh capital
 - Owner insolvencies
 - Charterer insolvencies
 - Charter re-negotiation
- Leads to:
 - Waiver requests
 - LTV breaches
 - Financial and other covenant breaches
 - Inability to service debt – principal/interest
 - Restructuring discussions



What are the enforcement options?

- Strict approach to documents
 - Police and enforce all covenants/defaults
 - Seek exit from the transaction
 - Enforcement against assets
- Hard enforcements
 - Disposal of assets to third parties on an open market basis
- Softer enforcements
 - Warehousing

What are the restructuring options?

- Constructive approach
 - Consensual
 - Maintain discussions
 - Open and co-operative
- Keeping the owner's house in order
 - Pay trade payables
 - Don't stretch suppliers
 - Control outgoings
 - Proactive not reactive approach

Come up with a plan...

- Can each of the parties' goals be reconciled?
 - Conflicting requirements of stakeholders
 - Regulatory pressures on the banks
- Avoid surprises
- Consider a balanced proposal
 - Fresh equity
 - Deferral of payments?
 - Cash sweep?
 - Exit fees?
 - Additional security/structural enhancements?
 - Asset disposal programme?
 - Transparency/"Most Favoured Nations" clause?



Some pitfalls to avoid

- Losing trust of the lenders
 - provokes arrests
 - a “forced” insolvency filing
 - loss of control
- Risks for creditors
 - unplanned asset arrests
 - forcing an insolvency filing
 - accidental ownership
 - taking an equity position



Speaker profile



ANDREW BAIRD
Partner
Dubai
+971 4 278 2301
abaird@wfw.com

Andrew Baird is a partner in Watson Farley & Williams' Asset Finance Group and head of its Dubai office. Andrew has a wealth of experience in cross-border asset and project finance, with particular emphasis on the marine transportation and offshore sectors. He has acted on loan transactions, leasing transactions including tax-based leasing and structured and project finance-based transactions.

He has represented clients including lenders, agent banks, lessors, lessees and owners on the financing of ships, shipping related assets such as container boxes and offshore assets.

He also represents shipping companies in relation to non-contentious commercial shipping matters, including sale and purchase, newbuilding contracts and resales, transaction joint ventures and strategic alliances, charters and other contracts of employment for ships, shipping related assets and offshore assets.

Another of Andrew's key practice areas is Islamic finance. He has acted on a wide range of transactions for banks and owners of assets of all classes, from shipping and offshore assets through to real estate. His experience encompasses not only Islamic banking products (including derivatives) but also funds and capital markets products.

WFW Offices

ATHENS

6th Floor, Building B
348 Syngrou Avenue
Kallithea 176-74, Athens
T: +30 210 455 7300

FRANKFURT

Ulmenstraße 37-39
60325 Frankfurt am Main
T: +49 69 297 291 0

MADRID

C/ María de Molina, 4
28006 Madrid
T: +34 91 515 6300

PARIS

26 avenue des Champs-Élysées
75008 Paris
T: +33 1 56 88 21 21

BANGKOK

Unit 902, 9th Floor
GPF Witthayu Tower B
93/1 Wireless Road
Patumwan, Bangkok 10330
T: +66 2665 7800

HAMBURG

Jungfernstieg 51
20354 Hamburg
T: +49 40 800 084 0

MILAN

Piazza del Carmine 4
20121 Milan
T: +39 02 721 7071

ROME

Piazza Navona 49
00186 Rome
T: +39 06 684 0581

DUBAI

Office 1503, Level 15, Tower 2
Al Fattan Currency House
PO Box 506896 Dubai
T: +971 4 278 2300

HONG KONG

Units 1703-1707, One Pacific Place
88 Queensway, Hong Kong
T: +852 2168 6700

MUNICH

Gewürzmühlstraße 11 – Courtyard
80538 Munich
T: +49 89 237 086 0

SINGAPORE

6 Battery Road #28-00
Singapore 049909
T: +65 6532 5335

LONDON

15 Appold Street
London EC2A 2HB
T: +44 20 7814 8000

NEW YORK

250 West 55th Street
New York, New York 10019
T: +1 212 922 2200

ATHENS BANGKOK DUBAI FRANKFURT HAMBURG HONG KONG LONDON
MADRID MILAN MUNICH NEW YORK PARIS ROME SINGAPORE

All references to 'Watson Farley & Williams' and 'the firm' in this presentation mean Watson Farley & Williams LLP and/or its Affiliated Undertakings. Any reference to a 'partner' means a member of Watson Farley & Williams LLP, or a member or partner in a WFW Affiliated Entity, or an employee or consultant with equivalent standing and qualification. This presentation constitutes attorney advertising.

© Watson Farley & Williams 2016

wfw.com