

***VIGOR INDUSTRIAL LLC
PORTLAND SHIPYARD***

**T. Alan Sprott
Vigor Industrial LLC**



Vigor Industrial Companies



- Cascade General, Inc.**
- Ship Repair - Portland



- Shipyard Commerce Center LLC**
- Portland Shipyard – Real Estate



- Specialty Finishes LLC**
- Manufacturing and Industrial Painting - Portland



Washington Marine Repair, LLC

- Washington Marine Repair LLC**
- Ship Repair – Port Angeles, WA



- Vigor Marine LLC**
- Ship Repair – Everett, San Francisco, Portland



- U.S. Barge LLC (joint venture)**
- Barge Construction - Portland





Portland Shipyard

- ❑ Constructed in 1942 by Kaiser Shipbuilding to build tankers for WWII
- ❑ Shipbuilding at the yard ceased at the end of the War
- ❑ Port of Portland acquired shipyard from the War Assets administration in 1953
- ❑ Port converted facility to repair yard; last major renovation in 1979
- ❑ Port operated, leased space and services to multiple repair contractors

PORTLAND SHIPYARD



- ❑ 68 year history as a ship building and repair facility
- ❑ Use of facility has supported the nation's war effort in WWII, development of the Alaskan oil and gas fields, the oil shipping trade, the nation's defense, and the region's maritime industry
- ❑ 65 Acres
- ❑ 10,000 Ft of Wharf and Pier Space
- ❑ 11 Cranes – UP TO 600 Ton Lift Cap.
- ❑ 500,000 SqFt Bay/Shop Space
- ❑ 3 Floating Drydocks
- ❑ 6M Gallon Water/Oil Plant

Portland Shipyard 1993 - 1995

- ❑ Consistent decline in repair work at the shipyard from late 1980's through early 1990's

- ❑ Facility nearly idled, the three remaining repair contractors either ceased operations or were in severe financial trouble

- ❑ High operating and maintenance costs, declining cruise ship and oil tanker repair market, declining government repair market, poor geographical location for ship repair, increasing foreign competition, multiple competing repair contractors for dwindling market

- ❑ Port began exploring ways to restructure shipyard operations in 1993

- ❑ Port commissioned study to evaluate future repair market, facility utilization, and development of recommendations for a new business model

Portland Shipyard 1993 - 1995

- Port motivated to retain jobs and service the bond debt for the 1979 expansion
- Port acted on recommendation to privatize yard by contracting with a single operator and manager

Value if liquidated > Value if sold as a shipyard

Just completed unsuccessful search for viable repair contractor

Slump in ship repair, and particularly tanker repair

Portland Shipyard 1993 – 1995

- ❑ Port initiated worldwide search for single operator of shipyard using competitive process
- ❑ Three responses to Port's request for proposal. Cascade General was the only local finalist
- ❑ Cascade General was the last surviving ship repair company at Portland Shipyard, just purchased by Frank Foti
- ❑ Company had more than \$10 million in debt
- ❑ Adversarial union relationship with antiquated work rules & practices
- ❑ Uncertainty about the future of the yard among major customers

Portland Shipyard 1995

- ❑ Successful bid for long-term lease & sole operation of shipyard
- ❑ Right of first refusal to purchase
- ❑ Infusion of new working capital
- ❑ Focused on regaining trust and productivity
- ❑ New executive, environmental, safety, and HR management team and infrastructure
- ❑ Focused on customer alliances for tankers and cruise ships



Portland Shipyard 1995 - 1997

- ❑ Home run projects, strong business in tankers and cruise ships
- ❑ Revenues in excess of \$115M, employment above 1,200
- ❑ Softening of business in 1997, revenues and employment dip
- ❑ Continued decline through 1998



Portland Shipyard 1997 - 2000

- ❑ In 1998 initiated negotiations with Port for purchase of shipyard to reduce costs
- ❑ Nearly 60 years of industrial use and limited information regarding environmental conditions at the shipyard; converging environmental issues created high degree of uncertainty – NPL, ESA; \$1.5M transaction cost
- ❑ Environmental terms – CG paid \$2.5M for its past contribution, Port responsible for cleanup
- ❑ Deal finalized in August 2000, financing included debt to the Port, institutional lenders, financing and working capital from Cammell Laird Holdings



Portland Shipyard 2001 - 2002

- ❑ Continued decline in business
- ❑ Cammell Laird bankrupted in cruise ship project in 2001
- ❑ Institutional lenders exercise rights to call in notes
- ❑ Drydock 4 sold to shipyard in Bahamas to retire lender debt – took Cascade General out of the cruise ship and ULCC repair markets – July 2001
- ❑ 9/11 terrorist attacks
- ❑ By early 2002 conditions were severe for Cascade General – revenues forecasted below \$40M



Portland Shipyard 2002

- ❑ Labor workforce fell below 150
- ❑ Deep administrative and management staff reductions
- ❑ Consolidated ship repair footprint to free up space and improve efficiency
- ❑ Canceled capital projects, suspended maintenance, OH cost reduction
- ❑ Diversified ship repair business by developing other uses of facility
 - Began marketing Shipyard Commerce Center
 - Reactivated rail service to Swan Island and facility
 - Permitted wastewater treatment plant and established industrial water and oil processing business
- ❑ Acquired assets of bankrupt ship repair contractor in Port Angeles, WA. Started Washington Marine Repair to expand business in Puget Sound
- ❑ Acquired Specialty Finishes and relocated to facility

Portland Shipyard 2002 - 2010



❑ Slight recovery in late 2002 during lead up to Iraq War

❑ Changes made in 2002 take hold, marginal performance in 2003 and 2004

❑ Create U.S. Barge joint venture in 2006 to enter barge construction business

❑ Further expansion into Puget Sound with operations in Everett and Bremerton 2005 - 2009