

NYMAR
NEW YORK MARITIME INC

NEW YORK IS THE CAPITAL FOR SHIPPING





Table of Contents

4	Acknowledgments
5	Introduction
6	New York: The Optimal Global Business Center
8	New York: The Port as Gateway to America
10	New York: The World's Financial Center
14	New York: Maritime Litigation- Fair and Cost Efficient Dispute Resolution
16	New York: A Center of Excellence for Marine Insurance
18	New York: Where Maritime Arbitration Began
20	New York: Tax Advantages as a Maritime Jurisdiction
22	New York: Ship Brokerage in the U.S.

APPENDIX

24	New York's Maritime Associations
26	NYMAR Corporations Individual NYMAR Members



Acknowledgments

New York Maritime, Inc. (NYMAR) was created over 10 years ago to help promote New York and its environs as the optimal venue for shipping interests to do business. Unlike other like-minded entities in other global maritime centers, NYMAR is nearly exclusively volunteer driven by maritime professionals who are successfully plying their trade and productively adding value to the international maritime industry from their base in the New York maritime center.

NYMAR is supported in its efforts by a myriad of professional organizations and we are grateful for their willingness to join us to highlight the attributes of New York. Our thanks go to the Association of Ship Brokers and Agents (ASBA), the Connecticut Maritime Association (CMA), the Marine Society of the City of New York, the Maritime Association of the Port of New York/New Jersey, the Maritime Law Association of the United States (MLA), Metropolitan Waterways Alliance (MWA), New York City Economic Development Corporation (NYCEDC), New York Shipping Association (NYSA), Society of Maritime Arbitrators (SMA) and the Working Harbor Committee.

As has been said in other contexts, “It takes a village”—and New York is an extremely large village. When this project began, a group of committed and passionate individuals assembled and mapped out the goals for this book, and the pathway for achieving it. They are:

John Kimball	Clay Maitland	Barry Parker	Leo Kailas
Andrew Genn	Nicolas Bornozis	Jeanne Cardona	Greg Chase
Soren Wolmar	Keith Heard	Ryan White	Ed Kelly
Joseph Hughes	Carleen Lyden-Kluss	Larry Rutkowski	Roland Lewis
Rick Larrabee	Jim Hohenstein	Tasos Aslidis	Jeffrey Pribor
Robert Shaw	Steve Gumpel	John Stratakis	Mary Grace Collins

Many thanks to all who helped demonstrate that New York IS the Capital for Shipping!!

Introduction

New York IS the World Capital for Shipping

NEW YORK HAS UNSURPASSED access to finance and investment services, one of the largest and most diversified ports in the world, extensive legal and insurance capability, a robust and effective arbitration system, a community of brokers covering every discipline, is a center for maritime education, seagoing and technical expertise — and more. PLUS, it is the home to one of the globe's most sophisticated information and arts centers, offering every possible choice of residence, lifestyle and interest.

In today's turbulent maritime world, many are looking for a safe harbor. New York offers stability, growth potential, a highly educated professional workforce, and unparalleled global connections— in other words, all the resources that the world's leading shipping companies need to run efficient and successful operations. New York's legendary energy and drive promise high returns to all who come here.

NYMAR (New York Maritime Inc.) has assembled a series of articles to help illuminate the many benefits of New York. Ranging from the accessibility of capital, to legal support, tax issues, arbitration, insurance and more, the contents of this booklet are intended to help you gain new insights into the ways in which New York rightly claims pre-eminence as a center for conducting international maritime business. It is no coincidence that the industry's main service providers such as major ship registries, P&I clubs, brokerage and law firms all have a substantial presence in New York.

New York is considered the premier place for the shipping industry and reinforces what we know— an industry as global and demanding as shipping can only thrive in the city that never sleeps. New York truly is the Capital for Shipping!

We welcome you to New York, and hope to see you here soon!

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Jeffrey Pribor, International Seaways, Inc.

Brooke Shapiro, Liberty Maritime Corporation

Robert Shaw, Sea Trade Holdings Inc.

John Stratakis, Poles, Tublin, Stratakis & Gonzalez, LLP

Christa Volpicelli, Citi

Sophia Brown, Executive Director

Cynthia Ro, Operations Director

New York: The Optimal Global Business Center

by the New York City Economic Development Corporation

NEW YORK CITY IS A VIBRANT and growing global city and business hub. NYC residents benefit from access to global markets, an international population and high quality of life. There exists a market of 8.4 million customers within City limits, and more than 25 million in the metro area. The readily available access to economic opportunities, diverse culture and reliable infrastructures makes this an exciting time to live and work in NYC.

ECONOMY

New York City's economy is growing, globally oriented and adapting to changing market needs. New York City is a hub for a wide range of industries, including finance, technology, and shipping. Currently experiencing a construction boom, 26 million square feet of office space is projected to be built, ensuring that NYC remains a competitive alternative to other global cities¹. While office space rents in London and Shanghai have increased from 2007 to 2015, office rents in New York City have decreased².

New York City also offers a robust local economy. In March 2016, labor force participation in New York City reached an all-time high, with strong job growth across all boroughs. Employment reached almost 4.3 million jobs, indicative of a robust and growing economy³. The NYC economy is diverse and comprised of many different types of businesses. Small businesses are a particularly important part of the NYC economy, employing 48.2% of the labor force, and 30.7% of all small businesses are owned by women⁴. NYC is also focused on developing its position as a leader in sustainability⁵ and NYC is strengthening traditional industries such as its manufacturing sector. Finally, New York City is a trade hub. In January 2016, the city's airports transported 156,364 tons of freight, 65% of which from international flights⁶ and in 2015 the Port of New York and New Jersey imported and exported a total of 73,608,323 metric tons of cargo⁷.

The NYC economy combines innovation with a global outlook. 530,000 New Yorkers, or 12% of the population, work in what is considered the "creative economy"⁸. An analysis found that exports generated by creative sectors, have grown by 7.3% over the last decade, speaking to the ability of the NYC's economy to adapt to changing industry landscapes and needs. New York City's creative sectors are among the fastest growing industries in the City⁹.

One of the more exciting hallmarks of New York City's economy is the City's dedication to fostering innovation

and re-imagining the way that technology impacts the city and its citizens. Between 2003 and 2013, NYC technology jobs grew faster than city and national employment. Tech workers earned 49% more than the average city hourly wage¹⁰. NYC is a growing hub for financial technology, with its own "Silicon Alley," located in Manhattan. Many tech companies are also headquartered in other boroughs, like Brooklyn¹¹.

DIVERSITY

New York is an incredibly diverse and global city. 37% of NYC's current total population was born outside of the United States, and come from every continent¹². Fifteen percent of foreign-born New Yorkers were born in Europe, 29% in Asia, 51% in the Americas, and 5% in Africa¹³. New Yorkers speak over 800 languages and as many as 49% of New Yorkers speak a language other than English at home¹⁴.

New Yorkers have access to diverse recreational options outside of work. There are over 24,000 restaurants in New York City featuring foods from all around the world¹⁵ and a wide array of museums and cultural institutions across all five boroughs. Each neighborhood in New York City offers a unique set of amenities, allowing residents to find a borough and community to match their tastes and needs.

QUALITY OF LIFE

In addition to the diversity of people, neighborhoods, and activities, New York has the infrastructure and public resources to provide a high quality of life for residents when compared to other global cities. In fact, New York City has lower property sales prices than Hong Kong, London, and even Toronto¹⁶.

A central feature of city life is the many parks, which are spread over the five boroughs and cover about 14% of the city, adding up to almost 30,000 acres of land¹⁷. Besides traditional parks, NYC is home to many unique public spaces. The High Line, a park built on an elevated 1930's rail line in Manhattan that opened in 2009, had over 20 million visitors between 2009 and July 2014¹⁸.

Living is made even more enjoyable by NYC's diverse and extensive transportation networks. A NYC subway ride to any of the five boroughs is 65% cheaper than the shortest ride on the London Tube¹⁹. New Yorkers take the most trips per person on mass transit (of all types) of any urban area in the United States and 57% of city

workers commute to work using public transportation²⁰. There are many varieties of transit options available in NYC, in addition to its 24 subway lines, which outnumber those in Paris, London and Tokyo²¹. The expanded City Wide Ferry system, beginning in 2017, will provide fast and efficient transportation between beautiful waterfront communities like Long Island City, Williamsburg and Red Hook.

With its strong economy, global workforce and accessible infrastructures, New York City is the ideal place to live, and to do business.

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About NYCEDC:



New York City Economic Development Corporation is the City’s primary vehicle for promoting economic growth in each of the five boroughs. NYCEDC’s mission is to stimulate job growth through expansion and redevelopment programs that encourage investment, generate prosperity and strengthen the City’s

competitive position. NYCEDC serves as an advocate to the business community by building relationships with companies that allow them to take advantage of New York City’s many opportunities. Additional information on NYCEDC can be found by visiting <http://www.nycedc.com/>.

New York: The Port as Gateway to America

by Edward J. Kelly, Executive Director of the Maritime Association of the Port of New York/New Jersey

IN THE YEAR 1542 Giovanni da Verrazano became the first European explorer to see what would one day be called New York Harbor. He entered in his log, “We have found a beautiful harbor.”

Today, almost 500 years later the Port of New York/New Jersey is still welcoming ships and commerce into our great harbor.

One of North America’s largest ports, the Port of NY/NJ is a bustling, vibrant and modern port serving a major portion of the population. The Port serves its local market which contains some of the most prosperous consumers and producers in the world, and also serves as a primary gateway for goods flowing to and from the inland areas of the continent.

The lifeblood of our Nation flows in its waterways. New York City exists because of its natural harbor and estuary networks. Our financial markets were based on the burgeoning waterborne trade on our piers. With the opening of the Erie Canal, we became a gateway to the vast interiors of the continent and brought their goods to market. This harbor welcomed the waves of immigrants that came in search of the American Dream, and from this harbor sailed the men and materiel that fought the wars that made the world safe for democracy.

We may no longer see the masts of tall ships, but this is not just an historic Port...it is a vibrant Port that moves people and freight...and delivers the American Way of Life!

In a recent economic study, it was determined that in the year 2015 the Port Region was responsible for handling:

- Over \$203 Billion Cargo Value
- Over 36 Million tons of general cargo
- Over 37 Million tons of bulk cargo
- 477,170 vehicles (up 21.2% from prior year)
- 6,371,720 TEU of containerized cargo (up 10.4% from prior year)
- Petroleum products, making it the largest USA petroleum product port
- 4298 International vessel arrivals
- Over 400,000 harbor transits/annum
- 522,244 units on the on-dock Express Rail (up 12.2% from prior year)
- 51.9% of all North Atlantic Port cargo (up 2.4% from prior year)

As a result of the foregoing operational activity, according to the New York Shipping Association’s study, “The Economic Impact of the New York-New Jersey Port Industry”, in the year 2014 the commercial maritime industry in our Port produced:

- 190,100 Direct JOBS
- 336,600 Full-time JOB equivalents
- \$21.2 Billion in Personal Income

- \$53.5 Billion in Business Income
- \$4.7 Billion Federal Tax Revenue
- \$2.3 Billion Local and State Tax Revenue

In recent years, our Port has enjoyed a resurgence of the Cruise Industry, with over 1.5 Million passengers being served in 2015 at our modern cruise terminals located in Bayonne, Brooklyn and New York City. According to a study published by the Cruise Line International Association, our Port’s cruise industry had the following impact:

- \$1.6 Billion in direct spending
- 23,611 JOBS
- \$1.42 Million in personal wages

Additionally, it is well recognized that the marine transportation mode is:

- The cleanest
- Most fuel efficient
- Minimal Infrastructure
- Reduces roadway congestion and wear/tear
- Reduces emissions (air and water)
- Eliminates over 3.1 Million truck trips in NYC annually (per a New York City Economic Development study)

In consideration of the foregoing facts, it should be clear that the safe, clean and efficient waterborne transport of people and freight is essential to the economy and environment of our Region. In fact, due to the strenuous efforts of all of our Port partners, despite a major increase in Port business, since 2006 we have seen a DECREASE of 41.5% in port-related emission pollutants. This has been achieved by enacting such programs as terminal electrification, the replacement of old non-compliant harbor trucks, vessel speed reduction programs, and vessel fuel upgrade programs, among many other efforts.

The water quality of the harbor is also cleaner than it has been in decades, and new generations of recreational users have flocked to the waterfront, whether to embark on recreational boats, fish, or just enjoy the view.

The continued growth of the Port has resulted in the creation of many new jobs. As of April 1, 2016 the New York Shipping Association reported an active population of 3,503 longshoremen and checkers. Port growth was responsible for creating 568 new hires in 2014, and an additional 287 new hires in 2015. It is gratifying to note that 51% of all new jobs were reserved for qualified veterans of the US Armed Forces. In fact the Port has witnessed a 13% increase in all Port-related full time jobs from the years 2012 to 2014!

The Port of NY/NJ has been a primary gateway to the inland areas of the continent ever since the opening of the Erie Canal in 1825. Since that time, the Hudson River

and other estuarine systems that feed our Port have been active with large volumes of cargoes moving between the Port and various local and inland locations. Most recently the new production of domestic petroleum products has drastically increased the tug/barge and Articulated Tug Barge (ATB) traffic within the Port.

The bustling domestic barge trades move the heavy, bulk commodities like aggregate, fuel oil, chemicals, sand, salt, as well as recyclables and municipal trash. Every barge takes 57 truckloads off our roads, and reduces infrastructure wear/tear, and roadway congestion.

It should also be noted that vessels and cargoes transiting the Hudson River navigation channel have increased in both size and volume. The website of the Albany Port District Commission currently states that “With the increased New York State interest in revitalizing the Erie and Champlain Canal Systems, comes increased potential for moving commercial products via water.” Clearly, it is intended that the Hudson will see increased traffic and commercial activity by ever-larger and frequent vessels.

The Federal Maritime Administration has designated the Hudson as one of their targeted American Marine Highway routes in recognition of the essential nature of this vital inland waterway which links inland areas with international marine transportation networks.

Our Port has seen an explosive growth in our passenger ferry networks as more commuters, residents and tourists are drawn to our rapidly expanding ferry network as an ideal mode of clean and effective transport in our dense, urban environment. Both New York and New Jersey have invested in expanding ferry network infrastructure and carrying capacity.

Concurrently, residential development rises along our shorelines as people enjoy waterfront living. New vibrant, waterfront communities thrive among sites for commercial maritime industry, recreational access facilities, and environmentally friendly projects.

The Port Authority of NY/NJ has committed significant funds to ensure that our Port remains clean, safe, and ready for the future. The Port Authority 2016 Capital Budget of \$175 Million includes \$65 Million to maintain port assets in good repair, \$64 Million devoted to revenue producing products, \$28 Million to system enhancement,

\$18 Million to mandatory projects, and \$1 Million for security projects.

As the world begins to see ever-bigger, cleaner, and more efficient vessels, the Port has invested in the requisite infrastructure that will enable us to maintain, and expand our position as a world-class Port. Our 50 foot dredging project will be completed this year, the on-dock Express Rail facility has been expanded to accommodate 1.5 Million moves per annum, and the \$1.3 Billion raising of the Bayonne Bridge to a height of a 215 air gap navigational clearance will be completed by late 2017.

The Port Authority of NY/NJ is now undertaking the development of a long range Master Plan to provide a framework towards maximizing land use utilization, ensuring an appropriate diversity of uses, increasing operational efficiency, and providing for enhanced new revenue opportunities.

To ensure that Port growth is efficient and sustainable, our Port partners have worked together to create a Council on Port Performance which brings all Port stakeholders together to evaluate and improve logistical problems and opportunities.

Since 1873 the Maritime Association has been a primary advocate of the commercial maritime industry in the Port of NY/NJ. Our paid membership of over 540 members includes such a broad gamut of industrial maritime concerns as international shipping lines, marine terminals, organized longshore labor, maritime and docking pilots, agents, tug and barge owners/operators, Port Authority of NY/NJ, admiralty attorneys, marine underwriters, ship repair/construction facilities, and many others.

Our Port is alive with the pulse of international trade, the movement of domestic commodities, the recreational enjoyment of the waterways, the enhancement of the marine environment, and the resurgence of waterside communities.

The Port can, and should be a vital part of the evolution of our waterfronts as our waterways continue to shape the destiny of our lives. With the requisite commitment and management, the Port will continue the proud heritage of being a modern, efficient, environmentally friendly, world class Port that delivers commerce, jobs, and the products that shape our lives to our “beautiful harbor”.

ABOUT THE AUTHOR: Edward J. Kelly, Executive Director of the Maritime Association of the Port of New York/New Jersey



Edward J. Kelly is the Executive Director of the Maritime Association of the Port of New York/ New Jersey. In his current position, Ed is responsible for managing the diverse activities of the Association and helping to develop the enhanced safety, security, ecological sustainability, and economic viability of the many maritime –related industries in our Port.

Prior to joining the Maritime Association,

Ed had held a series of senior executive level positions in the Liner business. His prior positions include: President and CEO of Cho Yang (America), Inc.; Senior Vice President of Inchcape Shipping Services; President and CEO of Nippon Liner Systems (USA); and Executive Vice President of Y.S. Line (USA). He has also provided executive level consulting services to such notable firms as Maher Terminals, Inc. and The Port Authority of New York and New Jersey. He has been named as a member of the New York City

Mayor’s Maritime Advisory Board. He is also currently serving as a member of NOAA’s Hydrographic Services Review Panel. Ed also serves as an Industry Advisor to the Urban Assembly School for Global Commerce.

A graduate of the U.S. Merchant Marine Academy (B.S., Nautical Science), he sailed as a deck officer on several U.S. Flag ships. Ed completed his MBA studies at Pace University in New York City. In March, 2009, the Journal of Commerce named Ed to their Leadership Roll in the Global Logistics Industry.

New York: The World's Financial Center

by Nora Huvane

SHIPPING EXECUTIVES KNOW a thing or two about the world. They know the best place to register their vessels, the best place to incorporate their headquarters, the best place to build bulkers or tankers, to buy bunkers and to go on holiday. As their companies reach a critical mass and seek growth through new vessel orders or meaningful acquisitions, they must locate a new commodity: risk tolerant capital. This may come in the form of public or private equity, high yield debt, or in recent years a Term Loan B.

They may find valuable newbuilding finance in China or Korea, or investors in global finance centers like Singapore, Hong Kong, Dubai and London. And they may find willing investors with an understanding of their project in a specialized market like Oslo. More than likely, however, their quest for risk tolerant capital will ultimately land them in New York.

There are several reasons for this. New York has the largest and most liquid capital market in the world for one. It is also the largest source of public and private equity capital for shipping, and on average it affords far superior valuations to companies than do other exchanges. A New York public listing provides a company with real and ongoing access to capital at attractive rates over the lifetime of a company through its follow-on market. New York is also the largest source of public debt capital to shipping, a significantly more risk tolerant form of debt than commercial lending. Moreover, the flexibility of the New York market and its ability to adapt products to reflect the needs of investors has proved an important asset to shipping companies looking to raise capital. Lest you think the authors' American passports make us biased, we provide here a statistical overview of the global capital markets illustrating this point and why it is, in fact, worth the hassle of landing in JFK or Newark for the sake of your company's balance sheet.

EQUITY CAPITAL MARKETS

New York has the largest and most liquid equity capital market in the world. As of April 1,

2016, the NYSE and Nasdaq total \$32.6 trillion in market capitalization and boast 5,437 publicly listed companies according to Capital IQ and accounting for both primary and secondary listings. Compare that to \$16.3 trillion in market capitalization for 4,736 companies in London and \$5.8 trillion in market capitalization for 1,996 companies in Hong Kong. The Singapore Exchange comes in at just around \$1 trillion and Oslo at \$217 billion and 272 companies between the Oslo Bors and the OTC combined. New York is not only the leading international center for public equity capital, but it is bigger than its leading competitors combined.

New York is also the largest source of public equity capital to shipping by a significant margin taking into account overall market capitalization and IPO and follow-on funds raised since 2010.

In terms of shipping company market capitalization the size of the New York market is comparable to Hong Kong. The former had \$28.5 billion in listed shipping company market capitalization as of April 1, 2016 while the latter had \$28.7 billion. These are down from \$43.3 billion and \$40.5 billion respectively six month prior. Oslo's \$9.2 billion is substantial compared to its overall market size while London's \$4.1 billion is not competitive in either respect.

The \$4.0 billion raised in shipping IPOs in New York since 2010 is given a run for its money by \$3.4 billion raised in Oslo. Hong Kong is competitive at \$2.2 billion, and no other exchange comes close. IPO issuance in New York has been slow of late, in line with the broader equity markets. The past 12 months saw only one new IPO courtesy of Gener8 Maritime, which raised \$210 million last June. Euronav was the other success story of 2015, successfully listing its crude tanker fleet in New York to raise \$229 million in January. Figure 1 shows NY shipping IPO issuance by sector since 2010, highlighting the large volume of equity raised for gas transport companies over the past several years. Crude tanker and dry bulk companies accounted for the majority of other listings. Figure 2 shows volume development in

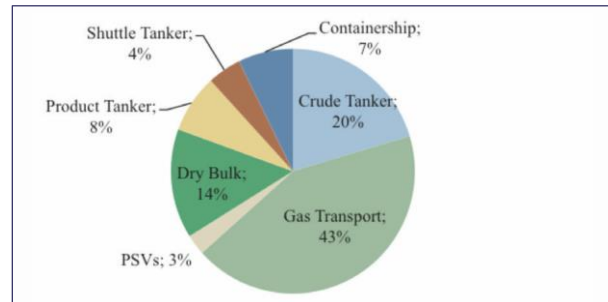
New York shipping IPO issuance since 2010, with a clear drop off over the past year largely reflective of broader uncertainty in the equity markets.

Just as important as availability of capital, however, is the cost of that capital. The increased liquidity of the New York exchanges give companies listing there an advantage, allowing them to achieve on average valuations that are superior to what they typically achieve elsewhere. The average forward P/E for a NYSE listed company is 22.5x and for a Nasdaq listed company 24.0x according to Capital IQ. Compare this to London companies at 18.4x, Oslo Bors companies at 16.0x, Hong Kong companies at 14.3x and Norway OTC companies at 10.1x.

The real magic behind a public listing in New York, though, is that it is not a one off deal. It is a first step towards real and ongoing access to capital at attractive rates over the lifetime of a company. To put this into perspective, consider that the New York equity markets yielded \$12.7 billion in new equity to listed shipping companies since January 2010 – that is close to half the total market capitalization of shipping on the two exchanges and more than three times what shipping companies raised through IPOs. In Oslo the numbers were also strong, with shipping companies raising \$3.8 billion in follow-on offerings, slightly over IPO volume, while in London and Hong Kong the numbers were negligible, according to data from Bloomberg, Dealogic and Capital IQ.

Golden Ocean, Dynagas LNG Partners, Gaslog Partners and Scorpio Bulkers all raised equity in follow-on offerings in New York in the past 12 months – Scorpio Bulkers on two separate occasions. Since 2013 gas transport was the largest shipping beneficiary of that market, as shown in Figure 3, while dry bulk, an area where liquidity was particularly needed, came in a close second. Figure 4 shows a volume spike for the New York shipping follow-on market in 2014 and annual volume that consistently matches or outperforms that of the IPO market.

Figure 1: Shipping Subsector IPO Issuance in New York Since 2010



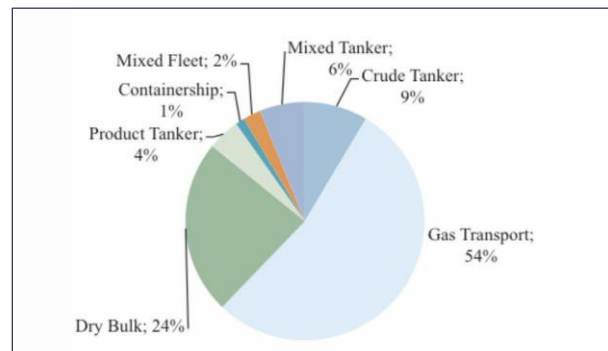
Source: Dealogic; excludes transactions less than \$20m

Figure 2: US Shipping IPO Issuance Volume by Year



Source: Dealogic; excludes transactions less than \$20m

Figure 3: Shipping Subsector Follow-on Issuance Since 2013



Source: Dealogic

DEBT CAPITAL MARKETS

Commercial bank debt is still by far the biggest source of funding for the shipping industry. Some commercial bankers are in New York, but more are in Amsterdam, Hamburg, Oslo, Paris, Beijing, Singapore, Tokyo and other cities. What New York does offer, though, is substantial access to the debt capital markets, a more liquid, market-based alternative to its relationship-oriented commercial cousin. This can be in the form of high yield bonds, or the recently trendy Term Loan B, a closer, institutional investment relation to commercial bank debt.

Of these, high yield bond issues are by far the most common. New York is, as with equity, the highest volume venue for raising shipping high yield debt, while Hong Kong and Norway also contribute substantially. Since 2010 \$7.7 billion has been raised through 22 shipping high yield bond issues in New York, excluding cruise line, drillship and shipyard companies. This compares to \$5.7 billion raised through 14 issues in Hong Kong and \$4.6 billion raised through 61 issues in Oslo according to data from Bloomberg, Dealogic and Capital IQ.

The Term Loan B market, which became important for shipping in a big way just a couple years back, is only relevant in New York, where it has provided \$4.3 billion in new capital to the industry through 17 offerings that pay interest at a weighted average rate of LIBOR + 426 basis points since January 2010. Figure 5 shows cumulative funds raised since 2010 in the shipping debt capital markets across New York, London, Hong Kong and Oslo, the primary markets that are open to international issuers.

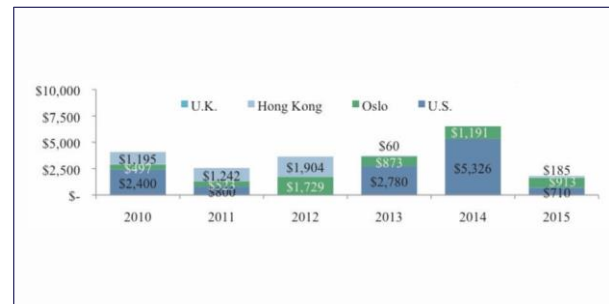
The past year has been slow for shipping high yield issues in the US, as it was for equity. Only tanker conglomerate Teekay Corporation has completed a high yield deal in the last 12 months, raising \$200 million in November 2015. The Term Loan B market, by contrast, has been relatively busy. Summer 2015 saw three deals completed for crude tanker company Navios Maritime Midstream, Jones Act company U.S. Shipping and shipping services company V. Group. Together these raised a total of just over a half billion dollars.

Figure 4: Shipping Follow-on Issuance Volume By Year



Source: Dealogic

Figure 5: Geographic Shipping Debt Issuance Since 2010



Source: Bloomberg, Dealogic, CapitalIQ; excludes cruise line, drillship and shipyard companies

Figure 6 shows high yield volume raised in the US markets since 2010. The spikes and dips over the five year period illustrate clearly that this is a market where timing is key. Figure 7 illustrates the growing importance of the Term Loan B market.

This demonstrates one final asset of the New York market: its flexibility and ability to adapt its products to better suit the needs of investors as they evolve and change. When the high yield market was virtually closed to all but the best shipping issuers, the Term Loan B market was able to step in. This makes the market a better resource for shipping companies looking to raise capital across cycles, not only in the shipping industry but in the broader debt and equity capital markets.

CONCLUSION

An excerpt from *The America's Cup History* perhaps sums it up best:

"In 1851 a radical looking schooner ghosted out of the afternoon mist and swiftly sailed past the Royal Yacht stationed in the Solent, between the Isle of Wight and the south coast of England, on an afternoon when Queen Victoria was watching a sailing race.

*As the schooner, named America, passed the Royal Yacht in first position, and saluted by dipping its ensign three times, Queen Victoria asked one of her attendants to tell her who was in second place. 'Your Majesty, there is no second,' came the reply."*¹

The same can be said for shipping company access to the capital markets. Taking into account IPO volume, follow-on volume, high yield bond volume and Term Loan B volume, there is no second place when it comes to sourcing risk tolerant capital for shipping.

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ABOUT THE AUTHOR: Nora Huvane



Nora Huvane is an independent publishing, events and communications consultant with a focus on shipping and offshore finance. She worked with the Marine Money Group for more than 10 years where she undertook publishing, research, and website and content devel-

opment as well as organizing a number of annual conferences. Three of those years were spent in Singapore focused exclusively on the Asian market.

Nora has served on the Board of Directors of the Connecticut Maritime Association as Communication and Education Chairs as well as on the Young Executive Committee of the

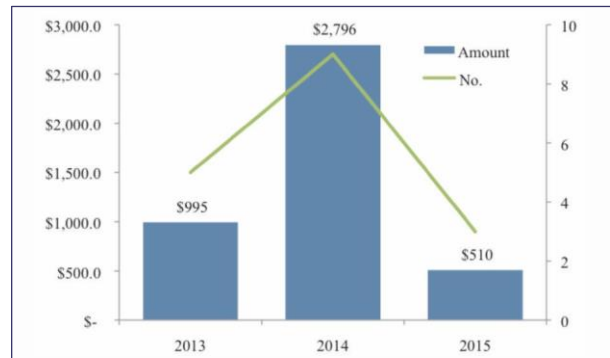
Singapore Shipping Association and was a co-founder of the Young Shipping Professionals of New York and YoungShip's Singapore branch. She holds a Bachelor of Arts in Political Economy from Williams College and studied on exchange at the University of St. Andrews.

Figure 6: US High Yield Shipping Issuance Volume by Year



Source: Dealogic

Figure 7: US Term Loan B Shipping Issuance Volume by Year



Source: Dealogic

New York: Maritime Litigation - Fair and Cost Efficient Dispute Resolution

by Keith W. Heard, Burke & Parsons

MOST MARITIME LITIGATION in New York takes place in the nation's oldest and some would say its most important and most prestigious trial court -- the United States District Court for the Southern District of New York. Other litigation takes place in New York state court and in federal court in Brooklyn, which is in the Eastern District of New York. However, the vast majority of cases are filed and litigated in the Southern District, which is sometimes known as "the Mother Court."

The first session of court in the Southern District was held on November 3, 1789. According to the Southern District's website, "it was the first sitting of any Court created under the new Constitution and predated the first sitting of the Supreme Court by several months."

Since that inaugural date, thousands of maritime cases have been filed in the Southern District of New York and they continue to be filed to this day. This includes cases involving cargo damage and loss, personal injury and death, maritime lien claims, fires, groundings, collisions and other types of marine casualties. The Court also performs a vital role in connection with maritime arbitration, granting petitions to compel arbitration, enforcing arbitral subpoenas and considering motions to confirm or vacate arbitral awards.

Many of these cases arose from well-known marine casualties such as the sinking of the TITANIC, the ANDREA DORIA/STOCKHOLM collision, the ESSO BRUSSELS/SEA WITCH collision in New York harbor, the sinking of the TRICOLOR in the English Channel in 2002 and the explosions and fire on the MSC FLAMINIA in 2012. In other disputes, such as the consolidated litigation arising out of the collapse of the O.W. Bunker companies in jurisdictions around the world, judges here have been called on to provide first-impression rulings on complex issues such as the interplay between maritime doctrine and bankruptcy principles. Whatever the nature of the disputes involved, Southern District of New York decisions continue to be followed by federal judges and practitioners around the country.

The Court has had a number of truly illustrious

maritime judges over the years, including Charles Hough, Learned Hand, John Woolsey and, most recently, Judge Charles S. Haight III. In addition, the New York maritime bar remains strong and vital, with many highly experienced lawyers in well-regarded firms and new, younger lawyers joining the firms from first-class law schools around the country. The bar includes attorneys who gained sea experience after obtaining their undergraduate degrees from the United States Merchant Marine Academy and various state merchant marine academies. The United States does not have a two-tiered system of representation so that the attorney who performs the initial factual investigation can file the lawsuit, engage in discovery, try the case and handle any appeal all the way to the Supreme Court. This often results in significant cost-savings to litigants and underwriters.

The bar is in turn supported by a strong network of experienced cargo and hull surveyors, marine engineers, naval architects and other experts. Some of these experts are in academia at the various merchant marine academies, schools of naval architecture and other technical disciplines in the New York area. Others work for consultancies and other private employers.

One of the hallmarks of the New York maritime bar is its outstanding reputation for work in the area of casualty response. When vessels collide or run aground or experience other serious casualties, their owners, charterers and underwriters need to know what happened and why. They also need to prepare for litigation or arbitration. New York maritime lawyers understand the importance of a rapid and in-depth response in these situations and have been providing this service to their clients for untold decades. This aspect of the practice is even more important today, given the value of the vessels and other properties at stake and the inevitable involvement of governmental and regulatory authorities in investigating and, in some cases, prosecuting individuals and companies for their roles in the casualties.

An important aspect of maritime litigation in New York and elsewhere around the country is the

availability of the attachment of assets under Rule B of the special admiralty procedural rules (or under state law attachment procedures) as well as vessel arrest under Rule C of the admiralty procedural rules. Rule B attachment can be used, for example, to seize bank accounts, letter of credit proceeds, bunkers on time-chartered vessels and debts owed by third parties to the defendants in maritime cases. By obtaining security for their claims, plaintiffs in maritime cases can ensure that victories they obtain on the merits of disputes can be translated into financial recoveries through the enforcement of judgments against hard assets.

Litigation in the United States is sometimes criticized for so-called discovery abuse — i.e., the belief that parties are allowed to promulgate large and wide-ranging discovery requests. Such criticisms often overlook the important role that discovery plays in enabling parties to assess the strengths and weaknesses of their cases and, very often, to avoid trial by encouraging settlement. In any event, updated federal procedural rules have addressed these issues, in part by imposing limits on the type and number of discovery requests that can be served. In addition, maritime lawyers in New York are sensitive to these concerns and work hard to tailor their conduct in discovery specifically to fit the needs and the amounts at issue in a given case. Our federal court judges and magistrate judges also strive to police the discovery process to guard against abuse and ensure that the process is fair and reasonable. The success of all concerned in managing the discovery process has helped those involved in maritime litigation in New York avoid abuse and keep the process in reasonable bounds.

Another aspect of maritime litigation in New York that redounds to the benefit of the parties involved is the ready embrace of alternate dispute resolution, especially with respect to the mediation of disputes. Over the past twenty years, mediation has grown steadily in importance and acceptance as a means of resolving maritime disputes throughout the United States. The use of structured mediation enables parties to achieve resolution without enduring the expense of trials and pre-trial preparation. The resulting cost-savings can often be used to help resolve a dispute or augment a party's bottom line.

Either way, the parties often come out ahead by ending their disputes through mediation rather than at trial and subsequent appeals to higher courts.

Litigation of maritime cases in New York is widely acknowledged as a fair and cost-efficient means of dispute resolution. The maritime laws firms and individual maritime lawyers in New York and the surrounding area have outstanding reputations for effective advocacy coupled with zealous, cost-effective representation of their clients. The judges who adjudicate maritime cases in the federal courts in New York are outstanding jurists who respect the admiralty bar and show great interest in the proper resolution of the cases before them. The large body of maritime precedents, dedicated and experienced legal advocates and outstanding judges combine to ensure maritime litigants in our courts of a just resolution of their cases in a timely and cost-efficient manner that is consistent with the storied history of maritime dispute resolution in this great city.

ABOUT THE AUTHOR: Keith W. Heard, Burke & Parsons



Keith W. Heard is a 1977 graduate of Yale University and a 1980 graduate of Vanderbilt University School of Law. He has practiced maritime law in New York since 1980 and has been a partner in the firm of Burke & Parsons since 1994,

concentrating on cargo damage, charter party and casualty work. Mr. Heard is a member of the Maritime Law Association of the United States, having served as Chairman of its Committee on Arbitration and ADR and as its delegate to the BIMCO Documentary Committee. In addition, he is a former Chairman

of the Admiralty Committee at the Association of the Bar of the City of New York, an associate editor of American Maritime Cases and a member of the Tulane Maritime Law Journal Board of Advisory Editors.

New York: A Center of Excellence for Marine Insurance

by Joseph Hughes, Chairman & CEO, Shipowners Claims Bureau, Inc.

AS A CENTER OF EXCELLENCE IN THE practice of marine insurance, New York concedes nothing to its global rivals. The range of coverages available, both mainstream and highly specialist, together with the professional capabilities which support the underwriting of maritime risk, are at the leading edge of international standards of accomplishment.

Marine insurance has formed part of the New York mercantile landscape since colonial times. It grew in importance with the vigorous expansion of the US merchant marine from the earliest days of the new American republic, and has remained an integral part of New York's commercial outreach to the world ever since. Indeed, as is the case in other international maritime centers, many of New York's current multiline insurers originated as purely marine underwriting entities in the late eighteenth and early nineteenth centuries.

Types of marine insurance underwritten in New York

All the major lines of marine insurance are underwritten in New York. They fall within the following broad categories.

HULL AND MACHINERY AND RELATED INSURANCES

New York-based underwriters are able to provide cover for all the regular hull and machinery and related risks, covering both marine and war perils, in accordance with the standard forms used internationally for such interests, as well as more customized coverage where required.

These insurances are provided by both multiline, composite carriers as well as by the local offices of overseas underwriters, creating a wide range of options for shipowners.

There also exist, in addition to traditional bluewater coverage, more specialist insurances for the operators of coastal and river tonnage within the United States. Such risks are typically insured on more industry-focused forms, tailored to the particular needs of such trades, and are often constructed in packages in conjunction the liability covers appropriate to those trades.

A particularly specialist sector is that concerning the insurance of what are generally known as inland marine risks. These encompass a broad spectrum of exposures to which a diverse constituency of marine contractors may be subject in the conduct of many different types of waterborne enterprise.

PROTECTION AND INDEMNITY, AND OTHER LIABILITY INSURANCES

New York is the home of the American P&I Club, the only mutual P&I insurer in the Americas and a member of the International Group of P&I Clubs which, collectively, insures between 90 and 95% of all world shipping for third-party liability risks. The American Club has supported the US and global maritime communities for nearly a century. It also operates various fixed premium facilities from New York, as well as providing a broad range of related insurances, most notably in the hull and machinery sector through its recent investment in American Hellenic Hull Insurance Company of Cyprus.

In addition to the headquarters of the American Club, New York is also host to the branch offices of several other International Group clubs which provide claims handling and related services to their US and overseas members.

Other New York-based insurance carriers also play a large part in the provision of liability cover to shipowners and operators based both in the United States and elsewhere in the world. These insurers provide a wide range of products under a variety of industry forms which vary from those designed to replicate traditional P&I cover to those more closely tailored to the needs of the river and coastal trades. Related covers such as those in regard to marine employers' and comprehensive general liability are also available.

Many New York underwriters who participate in this discipline are also able to provide coverage for liabilities in excess of primary layers of cover, typically up to very high limits of indemnity.

CARGO INSURANCES

Reflecting the importance of maritime commercial activity in general throughout the New York region, the provision of marine cargo insurance has long been a central part of underwriting activity in New York. The engagement of New York-based underwriters in this sector remains substantial.

The reach of what is traditionally described as marine cargo insurance is extensive, and New York companies have been at the forefront of developing new products in this respect. Policies are available to freight forwarders, distributors, manufacturers, operators, logistical networkers, importers and exporters across a range of exposures which often include land transit from the point goods leave storage up until they arrive at their final destinations.

REINSURANCE

The categories of marine coverage described above relate to direct insurances i.e. those between a principal insured (such as a shipowner) and an insurer directly covering those risks for account of that principal insured. New York is also home to specialist marine reinsurers to whom direct insurance carriers can lay off or redistribute part of their primary risks either on a whole account (general) or facultative (particular) basis.

BROKING SERVICES

The capabilities of the marine insurance broking community in New York are widely regarded to be among the best in the world. All lines of business are handled within this energetic service constituency which includes both the headquarters, and local offices, of the largest international broking houses along with smaller, specialist operations.

Both retail and wholesale insurance broking is carried on in New York in a manner similar to other international centers. New York brokers deal with both local and overseas markets with easy connections to their counterparts across the globe. There is also significant reverse flow business from those overseas markets into the New York underwriting community. This allows New York insurers to participate extensively in marine insurance placements originating from all parts of the globe.

In addition to the provision of broking services for direct risks, New York also enjoys a substantial involvement in the reinsurance of marine exposures, as noted above. Such reinsurances are placed by specialist broking operations which provide their services to US-based underwriters as well as to those from overseas seeking program participation from reinsurance carriers operating within the United States.

ANCILLARY SUPPORT SERVICES

In the assessment of risk and the handling of claims, the New York marine insurance community benefits from a broad range of ancillary support across a variety of specializations.

Both pre-attachment and post-casualty surveying services are easily accessible in New York to assist local underwriters and those from overseas. Claims handling and average adjusting capabilities are also widely available in New York. The Association of Average Adjusters of the United States and Canada has had its seat of activity in New York for more than a century, and promotes the interests of the average adjusting community throughout the continent.

New York also boasts an impressive array of law firms who specialize in maritime claims work as well as that concerning the interpretation of marine insurance contracts, in respect of which both New York and federal law provide a sophisticated and reliable jurisprudential framework.

LOCAL REGULATION

Marine insurers of all kinds operating in New York are overseen by the New York State Financial Services Department, universally recognized to be one of the most demanding insurance regulators in the world. It calls for meticulous reporting, exceptional transparency and irreproachable financial security from those who are subject to its supervision.

Those who seek to do business with the New York marine insurance community can gain comfort from the exacting oversight of the local regulator whose demands as to capital adequacy, governance and operational integrity represent a truly international gold standard of compliance.

ABOUT THE AUTHOR: Joe Hughes, Chairman & CEO, Shipowners Claims Bureau, Inc.



Joe has served as Chairman and CEO of the managers of the American Club, an International Group mutual, for nearly twenty-one years. Joe also oversees the activities of Eagle Ocean Agencies, Inc., an affiliate of SCB, which operates the Eagle Ocean Marine and Eagle Ocean America insurance facilities, the latter as a coverholder for underwriters at Lloyd's. He also serves on

the board of American Hellenic Hull Insurance Company, Ltd., a Cyprus-based hull underwriting investment of the American Club.

In addition to his corporate responsibilities, Joe is currently vice-chairman of the North American Marine Environment Protection Association (NAME-PA), a director (and former president) of the Maritime Association of the Port of New York and New Jersey, a former chairman of the Association of Average

Adjusters of the United States, a director of New York Maritime, Inc. (NYMAR) and a member of the National Cargo Bureau. Joe also serves on the classification committee of the American Bureau of Shipping, and the North American advisory committee of Lloyd's Register. He is a 2011 inductee of the International Maritime Hall of Fame, and was designated one of the top ten global marine insurance personalities on the 2015/16 Lloyd's List One Hundred.

New York: Where Maritime Arbitration Began

by Clay Maitland, Managing Partner, International Registries, Inc. and Chairman, NYMAR

IN MARCH 1656, ANDREW KILVERT brought suit against Jan Geraerdy in the Court of Burgemeesters of the colony of New Netherland, demanding the release of his vessel, which had been arrested to obtain payment for the sale price of Kilvert's ship. The Court ruled as follows: "... the case is found to be somewhat obscure... and, in order then not to be troubled with a long and weary lawsuit at the expense of a stranger, the Court orders... that the matter shall be disposed of by four arbitrators."

The practice of arbitration of maritime matters in New York, therefore, has its beginnings in Dutch law. Dutch rule in New Netherland (New Amsterdam) lasted less than fifty years. With the English takeover in 1664, most of the Dutch settlers elected to stay in what its new rulers named New York. In 1766, a statute concerning arbitration was enacted in the colony, and shortly after the founding of the New York Chamber of Commerce in 1768, the arbitral system became further embedded in New York. Given the long historical practice of arbitration in New York, it is understandable that the passage of the United States' Federal Arbitration Act of 1925 originated in New York. By 1920, the Chamber of Commerce and the New York State Bar Association drafted what would become the New York Arbitration Act of 1920. The federal law that followed in 1925 derived directly from the New York Arbitration Act.

As New York's importance as a shipping center grew, the need for a specialized body of rules, and reference of commercial disputes to specialized and knowledgeable maritime commercial "men" became commonplace. In the early years of New York, first as a colonial outpost, and later as a thriving mercantile center, maritime knowledge was rather broadly distributed among the general population. The records preserved in the archives of the State and City of New York document the paramount importance of shipping in the trade of the colony.

With the adoption of a pioneering arbitration act in New York in 1920, it was only a matter of time before the tradition firmly established nearly 300 years before during Dutch rule, gave rise to a modern regime of maritime arbitration.

The Society of Maritime Arbitrators, Inc. was formally constituted in 1963, and since its formation, the Society has published over 4,200 awards, and currently comprises 63 arbitrator members. The Society (SMA) has adopted a body of Rules, with links to its published awards, and to its newsletter, "The Arbitrator".

All of the arbitrator members of SMA have commercial shipping experience; many have legal experience as well.

Maritime arbitration in New York has a number of inherent strengths:

1. New York, taken with the adjacent states of New Jersey and Connecticut, is one of the world's major shipping centers. It is also one of the world's most diversified shipping regions, embracing skilled and seasoned commercial enterprises ranging from shipbuilding, shipbroking, chartering, design, vessel management and operation, insurance, engineers and lawyers, as well as a wide range of cargo specialists. It is also, of course, one of the world's great financial places of business. The intellectual resources available to the arbitration process are uniquely broad-based. It can be said that no other commercial center has so many different talents and skills at its disposal, when it comes to dispute resolution.

2. At a time of rising costs, another factor that favors New York maritime arbitration is the availability of the process at a reasonable expense to the parties. The fact that SMA arbitrations are well-known to be often less costly than those conducted in other jurisdictions is a significant attractive quality. For example, there is no appointment fee under SMA procedure.

3. SMA arbitrators may order pre-award security; they may also issue discovery subpoenas.

4. The process of arbitration is speedy, permitting not only prompt and economical resolution but encouraging the arrival at a result within a reasonable and predictable period of time. Increasingly, an SMA panel will order scheduling and discovery within a fixed period of time. This is far more efficient than the prolonged and often unwieldy process of information-gathering prevalent in courts of law.

5. One of the distinguishing features of SMA arbitration is the publication of awards, from which the parties can opt out. This assists practitioners, and the parties, to be able to predict outcomes.

6. Awards made by an SMA panel of arbitrators are

final, in virtually all cases. There is no right of appeal, so that while a right exists to petition the Court to have an award set aside, the grounds for doing so are very limited, in contrast to court cases, where there is always a right of appeal.

7. Proceedings are normally conducted by the SMA tribunal without any formal evidence rules; the panel has broad discretion as to whether it will accept evidence, and what weight and credibility shall be given to such evidence. Under U.S. law, arbitrators have the power to issue subpoenas to third parties, to produce documents, or to testify. The SMA panel therefore has, in addition, the power to order parties themselves, to produce documents or witnesses within their control. Needless to say, the arbitrators will also decide whether testimony, the declaration of witnesses, or documents are themselves credible. The arbitrators may consider evidence that a court of law would exclude, and they will usually decide how much or how little weight to give it. They may consider not only what evidence is submitted to them, but also what has not been submitted – and why. They may draw adverse inferences from what was and was not produced.

8. It is common for an SMA panel to be convened quite quickly, to conduct an emergency hearing. This is extremely useful where time is of the essence. Panels are promptly available for hearing at all times.

9. An SMA panel will award fees and expenses in nearly all cases. Nearly every SMA arbitration may entail the assessment of attorneys' fees, costs and arbitrators' fees against the losing party. This contrasts with the well-known "American Rule" followed in most court proceedings, in which each side bears its own fees and costs. In maritime arbitrations in New York, the prevailing party will most likely recover the

majority of fees and costs disbursed by it.

10. Awards are issued promptly in nearly all cases, and sealed offers of settlement, and written witness statements are also commonly used.

11. There is no right to pre-trial discovery, as there is in most court cases. The tribunal can order disclosure, of course, but the parties are encouraged to cooperate in an exchange of disclosures to avoid costs. One of the most attractive aspects of SMA arbitration, as I can personally confirm, is that costly and time-consuming adversarial jousting is discouraged. Emphasis is placed, as it was in New York more than 300 years ago, in finding a practical resolution, which helps the parties themselves to reach a fair and commercially reasonable result.

12. For those not familiar with SMA practice, perhaps the most helpful aspect of this form of dispute resolution is that proceedings are much more transparent to both sides. This encourages settlement, compromise, and fairness. Past awards of SMA can be accessed online through Lexis or Westlaw, many cases, to be sure, are resolved before an award is issued – a sign that the system really works.

The early, Dutch, adopters of arbitration had a vision for a system that was timely, definitive, smooth, transparent and efficient. That vision is alive and well today in New York.

Contributors

Liz Burrell, Esq.- Curtis Mallet-Prevost, Colt & Mosle LLP; John Kimball, Esq.- Blank Rome LLP; Robert Shaw, Esq.- Mystras Ventures.

ABOUT THE AUTHOR: Clay Maitland, Managing Partner, International Registries, Inc. and Chairman, NYMAR



Clay Maitland has worked in the shipping industry since graduation from law school in 1968. Clay has been employed by International Registries, Inc. for 40 years and is now a managing partner of the company, which administers the Marshall Islands Ship Registry – the third largest registry in the world.

Among his other affiliations: Director of the Coast Guard Foundation and the Coast Guard Auxiliary Foundation; Member of

the American Bureau of Shipping and of the National Cargo Bureau; Founding Chairman of the North American Maritime Environment Protection Association (NAME-PA); Chairman of the Hellenic-American Chamber of Commerce; Chairman of New York Maritime Inc. (NYMAR); Chairman of the North American Maritime Ministry Association (NAMMA) Industry Advisory Council; Member of the American Bar Association, New York City Bar Association and Maritime Law Association of the United

States; and former Chair of the Admiralty Committee of the New York City Bar Association. Clay has served as a delegate to the Legal Committee of the International Maritime Organization (IMO).

Clay received the Honorary Degree of Doctor of Letters from the State University of New York Maritime College in 2006, was awarded the U.S. Coast Guard's Distinguished Public Service Award in 2010 and was awarded Lloyds List's Lifetime Achievement Award in 2016.

New York: Tax Advantages as a Maritime Jurisdiction

by James C. Cofer, Seward & Kissel LLP

NEW YORK IS WORLD-RENOWNED FOR many things—a center of finance, a cultural mecca and the best pizza in the world (sorry, Chicago). New York is also world-renowned for high taxes. But you might be surprised to learn that for international shipping companies, there is no better place to do business than New York.

An international shipping company may be able to operate in New York completely tax-free with proper structuring. Combined with New York's other advantages as a financial and cultural center, this presents a unique business opportunity for shipping companies.

Let's look at some of the advantages:

- **FEDERAL TAX EXEMPTION**

The federal government provides a statutory exemption from U.S. federal income tax for certain foreign corporations engaged in the international operation of ships.

The international operation of ships generally includes carriage of cargo or passengers for hire, chartering of ships (whether on a time, voyage or bareboat basis) to other persons engaged in the carriage of cargo or passengers, participation in a pool or a joint venture engaged in the international operation of ships and certain activities incidental to the international operation of ships. In addition, gain from the sale of a vessel by a foreign corporation may also be exempt from U.S. federal income tax.

Although the international operation of ships generally does not include ship management activities performed for third parties, it does include activities related to the management of one's own vessels.

In order to qualify for the exemption, a foreign corporation must satisfy a "country of organization" test and any one of three ownership tests.

In order to satisfy the "country of organiza-

tion test," a foreign corporation must be organized in a jurisdiction which provides a reciprocal exemption from tax on shipping income to U.S. corporations (including the Marshall Islands, Liberia and Panama) (a "qualified foreign country").

There are three ownership tests that can be satisfied to qualify for the exemption: (1) the "publicly-traded test," (2) the "50% ownership test" and (3) the "CFC test."

A foreign corporation will qualify for the publicly-traded test if it has one or more classes of stock representing the majority of the vote and value of all of its classes of stock that are "primarily traded" and "regularly traded" on an "established securities market" in the United States or a non-U.S. jurisdiction that provides a reciprocal exemptions. Special rules apply certain closely-held corporations.

A foreign corporation will qualify for the 50% ownership test if more than 50% of the value of its stock is owned by one or more tax residents of a qualified foreign country.

Finally, a foreign corporation will qualify for the "CFC Test" if it is treated as a "controlled foreign corporation" for U.S. federal income tax purposes (meaning that more than 50% of the vote or value of its stock is owned by one or more 10% U.S. voting shareholders) and more than 50% of the value of its stock is owned by U.S. individual taxpayers, U.S. corporations or certain U.S. trusts.

In addition, a foreign corporation which is resident in a jurisdiction that has an income tax treaty with the United States may also qualify for an exemption under that treaty.

The U.S. federal "check-the-box" tax regime allows additional flexibility and potential cost-savings to ship managers located in New York. Under this regime, a shipping company can elect to disregard its ship-owning subsidiaries formed in certain non-U.S. jurisdictions for

U.S. federal income tax purposes. This can allow for the filing of a single U.S. tax return for all shipping operations.

In addition, a shipping company can employ personnel in New York and gain significant liability protection by using a separate limited liability company to employ those personnel. Under U.S. federal income tax laws, this separate LLC can operate on a tax-free basis as a “branch” of the parent company but still serve as a liability shield for corporate law purposes.

In summary, the U.S. federal income tax exemption allows a shipping company to operate vessels around the world from New York without any U.S. federal income tax.

• NEW YORK TAX EXEMPTIONS

New York State law completely exempts enterprises engaged in international (and interstate) shipping from all New York income taxes, including taxes imposed by New York City.

When this exemption is combined with the federal tax exemption, an international shipping business can operate in New York virtually tax-free.

• NEW JERSEY AND CONNECTICUT TAX EXEMPTIONS

If you prefer to be outside of New York, the other states in the tri-state area also have a favorable tax climate for shipping. Both New Jersey and Connecticut provide a tax exemption similar to the federal exemption discussed above for foreign corporations engaged in the international operation of ships.

• EXPERTISE

The New York metropolitan area is home to the best advisors to the shipping industry for finance, legal and accounting in the world. In addition, New York is the center of the world’s capital markets with the New York Stock Exchange and NASDAQ both competing for new listings of companies.

To summarize, an international shipping company can be located in the New York metropolitan area and operate completely free of income taxation. Combined with New York’s other advantages, this makes New York the best choice for locating your shipping company.

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James C. Cofer is a partner in the Tax Group.

Jim represents private investment funds (including hedge funds, funds of funds, and private equity funds) and mutual funds on a variety of tax issues, including initial structuring, investments by tax-exempt entities, investments in underlying funds, transactional matters, financial instruments, seed capital arrangements, and deferred

compensation structures (including Section 409A of the Internal Revenue Code).

In addition to his investment funds practice, Jim represents international and domestic shipping companies on all aspects of their operations. Jim advises shipping companies on Section 883 of the Internal Revenue Code, joint ventures, cross-border transactions, the controlled foreign corporation and passive foreign investment company

rules, internal restructurings, and the U.S. tonnage tax regime. Jim has also represented numerous shipping companies (including MLPs) in their public offerings of equity and debt securities, as well as the underwriters of such offerings.

He received a B.A. (with high honors) from Rutgers University, a J.D. from New York University School of Law, and an LL.M. (in Taxation) from New York University School of Law.

New York: Ship Brokerage in the U.S.

by the Association of Shipbrokers & Agents (USA) INC.

THE U.S. IS ONE OF THE WORLD'S leading producers of a wide range of commodities that include oil, oil products, grain and coal. In 2015, the U.S.A. was the second largest exporting economy. At the same time, the U.S.A. imported even more than it exported. While trade with Canada and Mexico occupy top spots, China, Japan and Europe are also major trading partners. The New York and U.S. ship broking community is the vital link that facilitates this trade not only via their involvement in the import and export of commodities through multinational trading houses and industrial companies but also as the broker of choice given worldwide recognition of their professional standing.

ASBA Tanker Broker members specialize in energy consultation and/or water borne oil and gas transportation industries, providing valuable insight into the international oil, gas and shipping markets. A keen understanding of the current marketplace allows member brokers to facilitate better decision making, timing and implementation of transactions by their clients.

A major share of the petrochemical, inorganic chemicals, vegetable oils, chemical gasses, ammonia and LPG cargoes are handled by chemical and gas tanker brokers in the New York and Houston maritime hubs.

While ASBA Dry Cargo Broker members enjoy a geographic advantage with cargo originating in the Americas, they are active in the movement of cargo worldwide, servicing companies and clients with interests in the agricultural, construction and manufacturing, raw materials and industrial bulk sectors. Basically, all of the major and minor bulks are among the cargoes handled by ASBA members.

ASBA S&P members work closely with U.S. based clients for the sale and purchase of international flag, U.S. flag ships and offshore vessels. They cover most shipping sectors including dry bulk, tankers (ranging from crude carriers, oil product, chemical, and gas tankers), containers, automobile carriers, tugs, barges, and the offshore industry. Their clients include ship owners in the private sector, publicly traded shipown-

ing companies, oil companies, and private equity investors. Member brokers also have an extensive record of appraising vessels and shipping assets on behalf of ship owners/operators as well as bank/financial institutions. Several of these S&P firms are members of the Baltic Exchange Sale & Purchase Assessment Panel (BSPA) and members of the Baltic Exchange Demolition Assessment Panel (BDA).

A professional trade association which began setting standards for ship brokers and ship agents during the early part of the 20th century, ASBA continues to be one of the premier trade associations of the maritime industry. Members of the local maritime community recognized the importance and the advantages of working together on issues of mutual interest. Preliminary, informal gatherings took place in 1933, leading to the decision to establish a forum for the exchange of information. The first official recorded meeting of the Association of Ship Brokers & Agents (ASBA) was held in the Arbitration Room of the New York Produce Exchange in lower Manhattan on January 9, 1934. Twenty-five ship brokerage and agency companies became the founding members of ASBA.

ASBA may be most recognized for its focus on the development of balanced Charter Party forms which has been ongoing since its inception. Several of the most widely used Charter Parties in circulation today are ASBA forms. On the dry side, most notable are the NYPE 46, 81 & 93, Norgrain 73 & 89 and Amwelsh 79 & 93. On the tanker side, popular ASBA forms include ASBATANKVOY and ASBACHEMVOY. In the recent past, work on Charter Party forms has been coordinated with other prominent maritime organizations such as FONASBA and BIMCO. Our most up-to-date form is the recently released NYPE 2015, published after three years of cooperation between BIMCO and the Singapore Maritime Foundation. It is expected that the NYPE 2015 will become the most widely used Time Charter Party on the market. ASBA's Charter Party Editor, available since 2005, supports all ASBA forms as well as other industry favorites.

Today, ASBA represents eighty-five ship brokerage companies, representing all sectors of the industry

and employing close to 400 shipbrokers. As our full style would indicate, ASBA membership also includes ship agency companies who provide services in all U.S. ports. ASBA broadened its membership base in the 1990's by recognizing the value of welcoming companies who work directly with our members. A new category of membership was created which includes ship owners and operators, charterers, bunker brokers and tug boat companies. These are our Affiliate Members.

“Boutique” might be the best way to describe many ship brokerage members. Ship owners and operators are provided the opportunity to deal with brokers who have direct connections to Charterers and their myriad of cargoes. These firms range in size from small to midsize shops offering their clients individualized customer service based on their knowledge of the sector(s) they serve. Given their size, most ASBA member firms do not typically spread themselves too thin by attempting to do all things for a wide range of clients. They prefer to concentrate their efforts in order to provide outstanding service for their principals.

Results of our 2015 broker member survey indicated that customer service is of paramount importance. ASBA's broker members employ one operations person for every three brokers. There is no doubt that customer service is one of the most significant benefits of employing a “boutique” ship brokerage company. The client is their reason for being in business.

As is the case with our counterparts around the world, a strong professional association providing support as well as forums for interaction and education is an important service that helps to ensure the success of its members. ASBA members have successfully navigated years of technological advances and enhancements that have enabled them to broaden their geographical marketplace. The New York Metropolitan Area, which encompasses the Tri-state region of New York, New Jersey and Connecticut, serves as home

to the majority of U.S. based ship brokers followed by Houston, Texas, however, ASBA members can be found in many other locales.

ASBA hosts several events annually which provide meaningful networking opportunities for our members. These include our Annual General Meeting, which still takes place in New York City, the ASBA/Baltic Social, a joint venture with the Baltic Exchange held on the first evening of CMA Shipping, and one or two annual golf outings. Our education courses, both in home study and online formats offer excellent introductions to the ship brokerage and agency industries are well subscribed both locally and abroad. Our live seminars, hosted around the U.S., provide additional continuing education for members as well as non-members.

Our Tanker Broker members, who recognize the value of face to face communications, sponsor an annual lunch in Houston for their Principals. A distinguished guest speaker, a principal from one of the segments of the tanker market: oil company, oil trader or a shipowner, addresses a topic of interest to the attendees.

In an industry where conferences are plentiful and can be large in scale, ASBA is enjoying unprecedented support for our Annual Cargo Conference, where approximately 250 delegates meet each September in Miami Beach. Cargo interests both educate and entertain delegates as they address the issue of “What's on the Horizon?” Various social events have been designed to give our delegates multiple opportunities to meet and greet old and new colleagues in comfortable surroundings. ASBA clearly has found a winning formula, evidenced by the continued growth of delegates from the U.S., Central & South America and Europe each year for the past thirteen years.

ABOUT ASBA



ASBA is proud to be an active member of New York Maritime (NYMAR). Through NYMAR, ASBA partners with the Society

of Maritime Arbitrators, U.S. based maritime lawyers, financial and insurance institutions to build a support network for the

U.S. maritime community.

Visit www.asba.org for more information and a list of our broker members.

Appendix

MARITIME ASSOCIATIONS IN THE NEW YORK MARKET

New York and its environs are the home to many vibrant organizations which collaborate on events and actions to promote the region as well as the maritime industry itself.

Here are many of them:

ASSOCIATION OF SHIP BROKERS & AGENTS (USA) INC. (ASBA)



ASBA is the recognized professional trade association for ship brokers and agents operating in the United States and Canada. Its Constitution dates back to January 9, 1934, when the first meeting of the Association was held at the New York Produce Exchange in New York.

The Association's Code of Ethics, adopted in 1949 and amended in 2011, sets the standard of professional conduct and practice, and defines customs of the trade for ship brokers and agents. The code reaches beyond the United States, the principles of the ASBA code conform to similar codes of conduct of national associations worldwide. A member of ASBA is, therefore, an informed and reliable participant in the international chartering and agency community.

CONNECTICUT MARITIME ASSOCIATION (CMA)



The Connecticut Maritime Association is an organization for its members, by its members. From ship owners and managers, to bunker brokers and tug-boat operators, from lawyers and underwriters to brokers and shippers, each of the 1,600+ CMA members worldwide has an equal and separate vote. Today, Southwestern Connecticut is home to more maritime-related businesses than any comparable area in the US and has become one of the most important shipping centers in North America and the shipping world.

For over thirty years, the CMA has produced the annual Conference and Trade Exhibition, CMA Shipping, held each March in Stamford, CT – ensuring that the ideas and activities meet the expectations of a busy and fast paced international maritime industry. In 2015 almost 2,400 maritime professionals attended the event (www.shipping2015.com) – CMA Shipping 2016 took place March 21-23, 2016 (www.cmashipping2016.com).

During the year the CMA organizes a range of social events including monthly speaker lunches, a golf outing, a tennis tournament, a summer picnic/lobsterbake by Long Island Sound as well as special events. The CMA Education Foundation sponsors thousands of dollars in scholarships to assist the next generation coming into our industry and runs a major internship program providing jobs to dozens of college aged students.

To find out more about the CMA, please visit www.cmaconnect.com

MARINE SOCIETY OF THE CITY OF NEW YORK



The Marine Society of the City of New York is a charitable and educational organization, the regular membership being composed entirely of seafarers, all of whom must be, or have been Captains or Officers of merchant vessels under the United States flag. It was formed in colonial days, and formally chartered by King George III in 1770 to “..improve maritime knowledge and relieve indigent and distressed shipmasters, their widows and orphans...” Among the early honorary members of the Society was President George Washington.

MARITIME ASSOCIATION OF THE PORT OF NEW YORK/NEW JERSEY

Since 1873 the Maritime Association has been a primary advocate of the commercial maritime industry in the Port of NY/NJ. Our paid membership of over 540 members includes such a broad gamut of industrial maritime concerns as international shipping lines, marine terminals, organized longshore labor, maritime and docking pilots, agents, tug and barge owners/operators, Port Authority of NY/NJ, admiralty attorneys, marine underwriters, ship repair/construction facilities, and many others.

MARITIME LAW ASSOCIATION OF THE UNITED STATES (MLA)



The Maritime Law Association of the United States (MLA) was founded in 1899. Its formation was prompted by the organization, some three years earlier, of the International Maritime Committee, better known by its name in French, Comité Maritime International (CMI).

After more than ninety years, the MLA was incorporated in 1993. The objectives of the Association are to advance reforms in the Maritime Law of the United States, to facilitate justice in its administration, to promote

uniformity in its enactment and interpretation, to furnish a forum for the discussion and consideration of problems affecting the Maritime Law and its administration, to participate as a constituent member of the Comité Maritime International and as an affiliated organization of the American Bar Association, and to act with other associations in efforts to bring about a greater harmony in the shipping laws, regulations and practices of different nations.

METROPOLITAN WATERWAYS ALLIANCE (MWA)



The Waterfront Alliance began as a project of The Municipal Art Society of New York. It became an independent organization in 2007 when a group of leading activists, businesses, foundations, and civic organizations came together with the goal of making the New York and New Jersey harbor a shared, resilient, and accessible resource for all.

Since then, the Waterfront Alliance has grown into a coalition of more than 900 organizations working together to bring about real change to our region's waterways and 700 miles of shoreline.

NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION (NYCEDC)



New York City Economic Development Corporation (NYCEDC) is the City's primary vehicle for promoting economic growth in each of the five boroughs. NYCEDC's mission is to stimulate job growth through expansion and redevelopment programs that encourage investment, generate prosperity and strengthen the City's competitive position. NYCEDC serves as an advocate to the business community by building relationships with companies that allow them to take advantage of New York City's many opportunities. Additional information on NYCEDC can be found by visiting <http://www.nycedc.com/>

NEW YORK MARITIME, INC (NYMAR)



NYMAR is a member-based association of maritime companies in the greater metropolitan New York area whose goal is to promote the benefits of the region as a maritime business center in order to attract more businesses to share in the opportunities available in this robust area. NYMAR hosts an annual seminar, and participates in many area conferences and events.

NEW YORK SHIPPING ASSOCIATION (NYSA)



New York Shipping Association (NYSA) is a membership organization that represents the terminal operators, ocean carriers, stevedores and marine related businesses that operate the ships, move the cargo, and train and employ the longshore workers in the Port of New York and New Jersey. NYSA negotiates the collective bargaining agreement on behalf of its members with the International Longshoremen's Association and the Port Police and Guards Union. NYSA coordinates the hiring and training of the labor that moves cargo through the largest port complex on the east coast with terminals located on both sides of the Hudson River in New York and New Jersey.

SOCIETY OF MARITIME ARBITRATORS (SMA)



The Society of Maritime Arbitrators is a professional non-profit organization that has achieved international recognition as a leading forum for the arbitration of maritime and commercial disputes. Its mission is to promulgate arbitration, mediation, and to establish commercially effective legal procedures for Alternative Dispute Resolution. The SMA trains and provides the maritime industry with experienced commercial professionals who resolve disputes in an impartial, timely and cost-efficient manner.

WORKING HARBOR COMMITTEE



The mission of the Working Harbor Committee is to strengthen awareness of the working harbor's history and vitality today, and its opportunities for the future, by involving people in learning how the harbor works and what it does; educating people in the rich and challenging history of the harbor; making people aware of the need to build and sustain the working harbor.

NYMAR MEMBER CORPORATIONS

ABS Americas
Accuritas Global Solutions
AMA Capital Partners LLC
American Club
Argus Media
Blank Rome LLP/LLC
Burke & Parsons
Capital Link, Inc.
Charles R. Weber Company, Inc.
Curtis, Mallet-Prevost, Colt & Mosle LLP
Euroseas Ltd.
Fratelli Cosulich/Asamar
Freehill Hogan & Mahar LLP
Future Care Inc.
Garden City Group, Inc. (GCG)
Hill Betts & Nash LLP
Hill Rivkins, LLP
Jefferies LLC
International Registries, Inc.
Lennon Murphy & Phillips, LLC
Liberian Ship & Corporate Registry
Manhattan Chamber of Commerce
Marine Society of the City of New York
New York Harbor Foundation
New York Shipping Exchange, Inc.
Nordea Bank
Norton Rose Fulbright US LLP
Poles, Tublin, Stratakis & Gonzalez LLP
Reed Smith LLP
Reitler Kailas & Rosenblass LLC
Samrat Container Lines, Inc.
Scorpio Tankers, Inc.
Seward & Kissel LLP
Stolt-Nielsen USA Inc.
Squire Patton Boggs
SUNY Maritime College
US Coast Guard - AMVER
US Merchant Marine Academy Vanuatu
Maritime Services, Ltd
Vedder Price PC
Wiggin and Dana LLP
Young American Capital

INDIVIDUAL NYMAR MEMBERS

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NYMAR

NEW YORK MARITIME INC
The Capital for Shipping

