

## Transaction to Create Bicoastal Platform of Scale Serving Defense and Commercial Customers

NEW YORK, NORFOLK, Va., PORTLAND, Ore. & WASHINGTON – Global investment firm The Carlyle Group (NASDAQ: CG) and private equity firm Stellex Capital Management today announced a definitive agreement to acquire and merge Vigor Industrial LLC, an infrastructure, defense, and maritime services company based in Portland, Oregon, and MHI Holdings LLC, a ship repair, maintenance, and other ship husbandry services company based in Norfolk, Virginia.

The combined company will create a bicoastal leader in critical ship repair services and commercial and defense-related fabrication services. Key customers include the U.S. Navy, U.S. Coast Guard, Military Sealift Command, Boeing, cruise lines, fishing fleets, barges and ferry services for local and state governments, and other key commercial and defense customers.

The transaction is subject to customary closing conditions and is expected to close by the end of the third quarter 2019. Financial terms were not disclosed.

Frank Foti, President and CEO of Vigor, said, “Through this transaction, Vigor gains responsible, forward-thinking investors who will seek to build on our current platform while maintaining a values-driven culture. In addition, we are excited to join forces with a company of MHI’s caliber which has a history of delivering strong results and shares our mission to serve the people who protect our country every day. This evolution takes us where we want to go, growing sustainable jobs into the future. I’m excited to be an investor in this adventure and to be a part of what’s to come.”

Tom Epley, President and CEO of MHI, said, “MHI is stronger than it has ever been, and we’ve successfully executed our strategy of delivering cost effective maintenance and repair solutions to the U.S. Navy, a job we take very seriously. We are excited to continue our partnership with Stellex and look forward to working with The Carlyle Group and our new colleagues at Vigor. The MHI leadership team and our 800 employees across MHI Ship Repair, Seaward Marine and Accurate Marine remain committed to our mission.” Derek Whang, Principal at The Carlyle Group, said, “We look forward to working with our partners at Stellex, Vigor and MHI to create a stronger combined company of scale, capable of providing differentiated, coast-to-coast services to the U.S. Navy, U.S. Army and other defense, infrastructure, and maritime customers. Together, Vigor and MHI are well positioned with their unique, national assets to grow in the highly attractive ship repair and fabrication markets, supported by compelling sector dynamics.”

David Waxman, Managing Director at Stellex Capital, said, “We are thrilled to have partnered with the MHI management team to grow the business over the last four years, including through the acquisitions of Accurate Marine and Seaward Marine, and look forward to working with the combined management teams as we expand our geographical and customer mix. MHI’s commitment to its customers and its employees has been the foundation of its growth, and we welcome the partnership with Carlyle and Frank Foti in this next stage.”

The Carlyle Group will become majority owner of the combined company. Equity for the investment will come from the Carlyle U.S. Equity Opportunity Fund II, a \$2.4 billion fund that focuses on middle-market and growth companies in the United States and Canada. As part of the transaction, Stellex Capital, MHI’s existing owner, will contribute new equity to the platform, while Vigor’s CEO Frank Foti will roll a portion of his existing Vigor ownership stake into the combined company.

A CEO search is underway for the new company. Tom Rabaut, former President and CEO of United Defense and a current Operating Executive at The Carlyle Group, and Admiral James Stavridis, a retired 4-star U.S. Navy officer, former NATO Alliance Supreme Allied Commander, and a current

Operating Executive at The Carlyle Group, will both join the Board of Directors. Mr. Foti will also join the Board of Directors as Vice Chairman and will continue as Vigor's CEO until a new CEO is retained. Tom Epley will continue to lead the MHI business. Vigor Industrial LLC, majority-owned by CEO Frank Foti, is a provider of complex fabrication and ship repair services. It employs 2,300 people and operates eight drydocks across the Pacific Northwest and Alaska, including the largest floating drydock in North America. Vigor excels at ship repair, specialized shipbuilding, and other complex fabrication projects in support of aerospace, defense, and infrastructure end markets. While the company is widely known for building ferries, it also builds high-performance military craft for the United States and other allied foreign governments.

MHI Holdings LLC, owned by Stellex Capital, is a leading provider of full-range ship maintenance, repair, and modernization services to the U.S. Navy and Military Sealift Command in Norfolk, Virginia. MHI also provides hull cleaning, ship husbandry services, underwater painting and inspections, wastewater treatment, and chemical cleaning services globally. MHI is one of the only private shipyards in Norfolk that can service large surface combatants and amphibious ships.

Latham & Watkins LLP served as legal advisor to The Carlyle Group and Stellex Capital Management. DLA Piper served as legal advisor to MHI Holdings LLC and Stellex Capital Management. BofA Merrill Lynch, BNP Paribas, and Credit Suisse have agreed to provide debt financing for the transaction. Capstone Headwaters served as exclusive financial advisor to Vigor Industrial LLC, and K&L Gates LLP served as Vigor's legal advisor.

\* \* \* \* \*

#### About The Carlyle Group

The Carlyle Group (NASDAQ: CG) is a global investment firm with deep industry expertise that deploys private capital across four business segments: Corporate Private Equity, Real Assets, Global Credit and Investment Solutions. With \$222 billion of assets under management as of March 31, 2019, Carlyle's purpose is to invest wisely and create value on behalf of our investors, portfolio companies and the communities in which we live and invest. The Carlyle Group employs more than 1,725 people in 33 offices across six continents. [www.carlyle.com](http://www.carlyle.com)

Web: [www.carlyle.com](http://www.carlyle.com)

Videos: [www.youtube.com/onecarlyle](http://www.youtube.com/onecarlyle)

Tweets: [www.twitter.com/onecarlyle](http://www.twitter.com/onecarlyle)

Podcasts: [www.carlyle.com/about-carlyle/market-commentary](http://www.carlyle.com/about-carlyle/market-commentary)

#### About Stellex Capital Management LP

Stellex Capital is a private equity manager that invests in and oversees U.S. and European corporate assets. With \$870 million of committed capital, Stellex's focus is on companies going through business or industry transitions, as well as special situation opportunities. Stellex seeks to identify and deploy capital in opportunities that have the potential to provide stability, improvement, and growth. Portfolio companies benefit from Stellex's industry knowledge, operating capabilities, network of senior executives, strategic insight and access to capital.

Sectors of particular focus include specialty manufacturing, industrial and business services, aerospace & defense, and government services. Additional information may be found at [www.stellexcapital.com](http://www.stellexcapital.com).

#### About Vigor Industrial LLC

Vigor is a values-driven, diversified industrial business operating in seven locations with

2,300 people in Oregon, Washington and Alaska. Built around a collection of powerful, unique assets and differentiated capabilities, Vigor excels at specialized shipbuilding, ship repair and handling important, complex projects in support of energy generation, our nation's infrastructure and national defense. With deep respect for people and the planet, Vigor strives to be a positive, regenerative force for good – environmentally, in the lives of its employees and in the community. Vigor.net

#### About MHI Holdings LLC

MHI Holdings LLC consists of three major providers serving the U.S. Navy, Military Sealift Command, Maritime Administration and Commercial ship owners and operators worldwide. MHI Ship Repair and Services is a major marine repair and conversion contractor with shipyard and full-service pier facilities located in Norfolk, Virginia. The Company has earned their wellregarded reputation by providing reliable and quality ship repair services to its clients with accurate job pricing for over 33 years. Seaward Marine Services is a global provider of underwater hull cleaning and ship husbandry services to the U.S. Navy. Accurate Marine Environmental performs tank cleaning and gas free engineering, including the removal of hazardous and non-hazardous materials for the marine and commercial industries, disaster response services and operates a wastewater treatment facility in Portsmouth, Virginia.

#### Media Contacts

The Carlyle Group:

Christa Zipf

[christa.zipf@carlyle.com](mailto:christa.zipf@carlyle.com)

212-813-4578

Stellex Capital Management and MHI Holdings:

Laura Brophy, Marketcom PR

[lbrophy@marketcompr.com](mailto:lbrophy@marketcompr.com)

203-331-7618

Vigor Industrial:

Athena Maris

[athena@marisagency.com](mailto:athena@marisagency.com)

503-957-1565

###