

RECORDATION NO. *W-34*

FEB 24 1989 - 3 20 PM

INTERSTATE COMMERCE COMMISSION

Date *2/24/89*

Fees \$ *13*

ICC Washington, D.C.

THE CONNECTICUT BANK AND TRUST COMPANY
One Constitution Plaza
Hartford, Connecticut 06115
Corporate Trust Department

FEB 24 3 20 PM '89
MOTOR OPERATING UNIT

February 24, 1989

Secretary of the Interstate
Commerce Commission
Washington, D.C. 20423

Re: Transmittal Letter for Recordation of Security
Agreement

Dear Sir:

Enclosed herewith for recordation with the Interstate
Commerce Commission pursuant to 49 U.S.C. Section 11303 and 49
C.F.R. Part 1002 are two originally executed copies of the
Security Agreement (NM-1), dated as of February 24, 1989 between
The Connecticut Bank and Trust Company, National Association and
NEMLC Leasing Corporation.

Also enclosed is a check for \$52 in payment of the
recordation fee for this and three other documents being filed
with your offices today, as required by 49 C.F.R. Section 1002.

The foregoing agreement concerns box hopper barges with
roll top covers, each of approximately 1223.97 gross tons and
approximately 1223 net tons built by Dravo Corporation at Neville
Island, Pennsylvania.

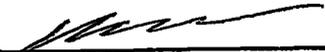
Please record the foregoing agreement pursuant to 49
U.S.C. Section 11303 and 49 C.F.R., Part 1002 and return one
original of each document to Michael E. Thoyer, Esq., Morgan,

Copy to Iowa M. Jones

Lewis & Bockius, 101 Park Avenue, New York, New York 10178.

Very truly yours,

THE CONNECTICUT BANK AND TRUST
COMPANY, NATIONAL ASSOCIATION

By:  _____

Title: *VP*

Addresses of Parties to the above-described Security Agreement:

Owner Trustee -

The Connecticut Bank and Trust Company,
National Association
One Constitution Plaza
Hartford, Connecticut 06115

Secured Party -

NEMLC Leasing Corporation
28 State Street
P.O. Box 2332
Boston, Massachusetts 02109

Summary of Security Agreement:

Security for repayment of loan to finance the purchase of Owner Trustee's U.S. Government Guaranteed Ship Financing Bonds, DMC 2 Series, and other described purposes. The security agreement covers forty (40) box hopper barges named DM 3001 through DM 3040, which are subject to a bareboat charter from the Owner Trustee to National Marine, Inc.

RECORDATION NO. W-34 FILED DATE

FEB 24 1989 -3 20 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Dated as of February 24, 1989

between

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION
acting not in its individual capacity
but solely as owner trustee under the
Trust Agreement referred to herein,
Shipowner

and

NEMLC LEASING CORPORATION,
Loan Participant

20 Box Hopper Barges
With Roll Top Covers
(NM-1)

=====
Filed and recorded with the Interstate Commerce Commission
pursuant to 49 U.S.C. § 11303 on February __, 1989 at _____
recording number _____.

SECURITY AGREEMENT

Special Provisions

20 Box Hopper Barges
With Roll Top Covers

THIS SECURITY AGREEMENT dated as of February 24, 1989 between THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, acting not in its individual capacity but solely as owner trustee under the Trust Agreement dated as of April 1, 1981, as amended, between it and New England Merchants Leasing Corporation B-7, and NEMLC LEASING CORPORATION, a Massachusetts corporation.

RECITALS:

A. As provided in Article Second hereof, the terms used herein which are defined in Schedule X hereto or by reference to other agreements or instruments shall, unless otherwise defined herein, have the respective meanings stated in Schedule X or such other agreements or instruments.

B. The Shipowner is the owner of twenty (20) box hopper barges named DM 2801 through DM 2820 (the "Vessels") and has bareboat chartered the Vessels to National Marine, Inc (under its former name Dravo Mechling Corporation) pursuant to a Bareboat Charter dated as of April 1, 1981 (as the same has been and from time to time hereafter may be amended, supplemented or restated, the "Charter");

C. The Shipowner financed the purchase of the Vessels with the proceeds of a loan from Pittsburgh National Bank. Such loan was refinanced in March 1982 with the proceeds of the Shipowner's United States Government Guaranteed Ship Financing Bonds, DMC 1 Series, bearing interest at the rate of 15.05% per annum and maturing on December 31, 2003 (the "Bonds").

D. In order to finance the purchase of the Bonds by the Shipowner from the holder thereof, the Shipowner has duly authorized the issuance of the 13.05% Secured Notes due December 31, 2000 (the "Secured Notes") in an aggregate principal amount of \$3,216,000; and

E. The Shipowner is entering into this Security Agreement to secure the payment of the Secured Notes and for the other purposes hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, of the mutual covenants herein contained, and of other good and valuable consideration, the receipt and adequacy of which the parties hereby acknowledge, and in order to provide security to the Loan Participant for the payment of the Secured Notes and the payment and performance of the other obligations and liabilities to the Loan Participant referred to herein:

GRANTING CLAUSE

In order to create a present and continuing security interest in the Loan Participant, the Shipowner does hereby grant, sell, convey, assign, transfer, mortgage, pledge, set over and confirm unto the Loan Participant all of its right, title and interest in and to, as the case may be, all of the following:

I. The Construction Contract, all other contracts (if any) relating to the construction of the Vessels, and all moneys payable to the Shipowner under any thereof. Said right, title and interest are hereinafter referred to, collectively, as the "Rights Under the Construction and Related Contracts".

II. The Charter and all moneys payable to the Shipowner thereunder (excluding, however any moneys constituting Supplemental Hire which are payable to the Shipowner pursuant to the Participation Agreement or the Refinancing Agreement). Said right, title and interest in and to the Charter and all moneys payable thereunder are herein referred to, collectively, as the "Rights Under the Charter."

III. All Liquid Investments (as defined in the Collateral Mortgage (as defined in its Charter)) and amounts on deposit in the Security Deposit Account (as defined in the Collateral Mortgage) created under Section 3.6 of the Collateral Mortgage.

IV. All Shipowner's right, title and interest in, to and under any Acceptable Credit Support (as defined in the Collateral Mortgage) that has been delivered to the Shipowner pursuant to the Collateral Mortgage.

The Loan Participant shall have as further security:

V. The Mortgage.

VI. Assignment of First Preferred Fleet Mortgage (as defined in the Charter).

VII. Assignment of Second Preferred Fleet Mortgage (as defined in the Charter).

The right, title and interest of the Loan Participant mentioned in paragraphs I through VII are hereinafter collectively called the "Security". The Loan Participant shall hold the Security as collateral security for the payment and performance of all the obligations and liabilities of the Shipowner under the Secured Notes and this Security Agreement.

Irrespective of the foregoing, (1) the Shipowner shall remain liable to perform whatever obligations it may have under the above-mentioned contracts, and the Loan Participant shall not, by virtue of this Security Agreement, have any obligations under any of such contracts, except as expressly provided therein, or be required to make any payment owing by any of the

parties thereunder; (2) except during any period beginning when each party to any contract or assignment included in the Security shall have received written notice from the Loan Participant as to the existence of a Default hereunder and continuing until the Loan Participant shall have notified in writing such persons that such Default has been cured or waived, the Shipowner shall be entitled to exercise all of its rights under each of such contracts, and to receive all of the benefits accruing to them thereunder as if the foregoing were not applicable, except the right to receive all moneys included in the Security, all of which shall be paid to the Loan Participant for application as provided in this Security Agreement; and (3) the Shipowner shall have the right at all times, after written notice to the Loan Participant, to make any claim or institute any action to enforce payment in full of amounts due to the Shipowner under the Charter in any instance where the Charterer or the Shipowner has paid an amount sufficient to cover the interest and principal then due on the Secured Notes but the Charterer has paid less than the total amount due as Basic Charter Hire or otherwise due and payable by the Charterer under the Charter.

The Shipowner and the Loan Participant agree that the Security is to be held by the Loan Participant subject to the further agreements and conditions hereinafter set forth.

ARTICLE FIRST

INCORPORATION OF EXHIBIT 1 BY REFERENCE

This Security Agreement shall consist of two parts: these Special Provisions and the General Provisions attached hereto as Exhibit 1, made a part of the Security Agreement and incorporated herein by reference.

ARTICLE SECOND

DEFINITIONS

For all purposes of this Security Agreement, unless otherwise expressly provided or unless the context otherwise requires:

1. All references herein to Articles, Sections or other subdivisions, unless otherwise specified, refer to the corresponding Articles, Sections and other subdivisions of the Special Provisions or the General Provisions of the Security Agreement. Where a provision of the General Provisions has been modified or superseded by a provision of the Special Provisions, all references to the modified or superseded sections shall be deemed to refer to such sections as so modified or superseded;

2. The terms "hereof", "herein", "hereby", "hereto", "hereunder" and "herewith" refer to this Security Agreement; and

3. The capitalized terms used herein which are defined in Schedule X to this Security Agreement or by reference therein to other instruments or forms of instruments, as such capitalized terms may be amended from time to time in accordance with the provisions of this Security Agreement, shall have the respective meanings stated in Schedule X or such other instruments.

ARTICLE THIRD

ADDITIONS, DELETIONS AND AMENDMENTS TO EXHIBIT 1

A. Concerning Certain Terms.

1. Wherever the same shall appear in Exhibit 1 hereto:

a. the terms "Secretary", "Secretary of Commerce" and "Secretary of Transportation" and (in Section 2.07(i) and 2.07(m) only) the term "United States" shall be deemed to mean and refer to the Loan Participant;

b. the term "Secretary's Note" and the term "Obligations" shall be deemed to mean and refer to one or more of the Secured Notes, as the context shall require;

c. the term "Increased Security" shall be deemed to mean and refer to the Security; and

d. the term "Ship Mortgage Act, 1920, as amended" shall be deemed to mean and refer to Chapter 313.

2. Wherever the same shall appear in Exhibit 1 hereto, the following terms, together with any provisions relating solely and expressly thereto, shall be disregarded as inapplicable to the transactions contemplated by this Security Agreement, and shall be deemed to be deleted (including, in each case, references to any articles, sections, paragraphs or other provisions thereof)' "Depository Agreement", "Indenture", "Title XI Reserve Fund and Financial Agreement", "Authorization Agreement" and "Guarantees".

B. Concerning Section 2.02. Section 2.02 of Exhibit 1 hereto is hereby amended by deleting it in its entirety and substituting therefor the following:

"Section 2.02. Concerning Citizenship. The Shipowner shall not, and shall not permit any charterer (including the Charterer) or subcharterer of any Vessel to, enter into any demise charter or demise subcharter with respect to any Vessel (other than the Charter) or any time charter or time subcharter of more than six months duration with respect to any Vessel unless (i) the Shipowner shall have submitted to the Loan Participant, prior to the effective date of such charter or subcharter, a letter or other written statement stating that the charterer or subcharterer is a citizen of the United States within the meaning of Section 2 of the Shipping Act, 1916, as amended, or (ii) in the event the charterer or subcharterer under any such time charter or time subcharter is a noncitizen, approval pursuant to Sections 9 and 41 (and 37 if applicable) of the Shipping Act, 1916,

as amended, shall have been obtained from the Secretary of Transportation prior to the effective date of such time charter or time subcharter."

C. Concerning Section 2.04. Section 2.04 of Exhibit 1 hereto is hereby amended as follows:

1. by deleting that portion of paragraph (a) preceding the proviso clause and substituting therefor the following:

"Section 2.04. (a) Title to and Possession of the Vessels. The Shipowner represents that the Charterer has agreed in Section 6(d) of the Charter that it will take such action as may be necessary duly to discharge or eliminate or bond any Lien on any Vessel or any part thereof not excepted in such Section 6(d) if the same shall arise at any time before the expiration or termination of the Charter Period. The Shipowner is the sole owner of the whole of each Vessel free from any Liens (1) voluntarily created or incurred by the Shipowner or any Affiliate of the Shipowner, other than this Security Agreement, the Mortgage and the Charter, or (2) arising as a result of claims against the Shipowner or any Affiliate of the Shipowner not related to the Shipowner's ownership of any of the Vessels or its administration of the Trust Estate. The Shipowner agrees to warrant and defend the title and possession of each Vessel and every part thereof against the claims and demands of all persons whomsoever arising as the result of any Liens of the character described in the immediately preceding sentence arising at any time;

2. by deleting Sections 2.04(a)(1)(A) through 2.04(a)(1)(C) and substituting therefor the following:

"(A) to liens for Crew's Wages, for salvage (including contract salvage) or for general average which are: (i) not yet due and payable, or (ii) either unclaimed or covered by insurance, or (iii) being contested by appropriate proceedings

diligently conducted so long as such proceedings do not involve a significant risk of a sale, forfeiture or loss of any Vessel;

(B) to contract and tort liens arising out of or incident to current operations of, or repairs to, any Vessel (except for liens for Crew's Wages, salvage and general average) which are subordinate to the lien of the Mortgage or covered by insurance or includible in any deductible applicable thereto, and which are: (i) based on claims not yet due and payable, or (ii) being contested by appropriate proceedings diligently conducted so long as such proceedings do not involve a significant risk of a sale, forfeiture or loss of any Vessel;

(C) [Omitted];"

3. by fixing the amount of liens permitted under Section 2.04(a)(1)(E) at \$25,000 with respect to each Vessel and \$200,000 in the aggregate for all of the Vessels and by deleting in said Section clause (i);

4. by deleting Section 2.04(a)(1)(H) and substituting therefor the following:

"(H) to mortgages and charters to the extent permitted by paragraph (b) of this Section 2.04;"

5. by inserting in Section 2.04(b) at the end of clause (i) the phrase ", any subcharters in accordance with the express provisions of Section 18 of the Charter (subject to the provisions of Section 2.02), or any sales or transfers in accordance with the express provisions of Section 8(c), 14, 17 or 28 of the Charter," and by inserting "or appointments of successor trustees" after "consolidations";

6. by deleting Section 2.04(c) and Section 2.04(d)(1);

7. by deleting Section 2.04(d)(2) and substituting therefor the following:

"(2) Neither the Shipowner, any charterer, the master of any Vessel, nor any other Person has or shall have any right, power or authority, without the prior written consent of the Loan Participant, to create, incur or permit to be placed or imposed on any Vessel any Lien except (A) the Mortgage, (B) the Charter and any Liens permitted thereunder (excluding Liens referred to in the second and third sentences of Section 2.04(a) hereof or in Section 17 of the Participation Agreement), (C) the Liens permitted on and after the Delivery Date by Section 2.04(a), except, during the Charter Period, any Liens required to be discharged or eliminated or bonded by the Charterer pursuant to Section 6(d) of the Charter, and (D) the charters and subcharters permitted by Section 2.04(b). The Loan Participant hereby consents to other Liens incident to current operations and (subject to the provisions of Section 2.02) any subcharters of any Vessel permitted under the Charter.";

8. by deleting Section 2.04(e) and substituting therefor the following:

"(e) Documentation of the Vessels. The Shipowner represents that the Charterer has agreed in the Charter to maintain throughout the Charter Period the documentation of each Vessel in the Shipowner's name under the laws and flag of the United States in accordance with the terms of the Charter. The Shipowner agrees to execute such documents and furnish such information as the Charterer may reasonably require to enable the Charterer to maintain such documentation.";

9. by deleting Section 2.04(h) and substituting therefor the following:

"(h) Condition and Maintenance of Vessels. Section 7 of the Charter is incorporated herein by reference as though such Section 7, as incorporated herein, shall be Section 2.04(h); provided, however, that if the obligations specified in such Section 7 (except the first sentence thereof) shall not be performed and shall not be deemed to have been performed pursuant to Section 2.16, such non-performance shall constitute the basis for a Default hereunder."

D. Concerning Section 2.06. Section 2.06 of Exhibit 1 hereto is hereby amended by deleting it in its entirety and substituting therefor the following:

"Section 2.06. Execution and Delivery of the Mortgage and Certain Assignments. On the date hereof, the Shipowner shall execute and deliver the Mortgage, the Assignment of First Preferred Fleet Mortgage and the Assignment of Second Preferred Fleet Mortgage, respectively, to the Loan Participant and the Shipowner shall file, record or cause to be recorded such instruments in the proper office of the United States Coast Guard."

E. Concerning Section 2.07. Section 2.07 is hereby amended by deleting it in its entirety. The shipowner shall keep the Vessels insured in accordance with the requirements set forth in Section 9 of the Charter, to the same extent as if said Section 9 had been set forth at length herein, and all of the provisions of said Section 9 are hereby incorporated herein by reference.

F. Concerning Section 2.08. Section 2.08 of Exhibit 1 hereto is hereby amended by deleting the phrase "in connection

with the performance of his duties and functions under the Act and".

G. Concerning Section 2.09. Section 2.09 of Exhibit 1 hereto is hereby amended by deleting it in its entirety and substituting therefor the following:

"Section 2.09. Event of Loss. Upon the occurrence of an Event of Loss with respect to any Vessel or (if the Charterer elects to pay Stipulated Loss Value with respect thereto in accordance with the second paragraph of Section 14(b) of the Charter) any Cover -

(1) The Shipowner shall promptly after obtaining Actual Knowledge thereof give written notice thereof to the Loan Participant;

(2) The Shipowner shall promptly pay all amounts it receives by reason of such Event of Loss to the Loan Participant; and

(3) On the date on which all amounts which are reasonably expected to be received by the Loan Participant in connection with any such Event of Loss (whether from the Shipowner pursuant to the foregoing subparagraph (2), from any insurer, from a government or governmental body, from the Charterer, or otherwise) shall have been received by the Loan Participant or on which the Loan Participant shall have received amounts in connection therewith which are sufficient for the payment in full of the amounts referred to in subclause (A)(x) of this subparagraph (3), (A) if there is no existing Default, the Loan Participant shall (x) apply such amounts to the payment of the Proportionate Part of the outstanding Secured Notes and interest accrued and unpaid on such Proportionate Part to the date of such payment, and (y) pay the balance, if any, to the Shipowner, or (B) if there is an existing Default, the Loan Participant shall apply such amounts as provided in Section 6.05;

provided that, irrespective of the foregoing, (i) the Shipowner shall not be required to pay to the Loan Participant pursuant to the foregoing subparagraph (2) an amount which, together with funds held by the Loan

Participant and available for the payment of Secured Notes is in excess of that required for the prepayment of the Proportionate Part of the outstanding Secured Notes and for the payment to the Loan Participant of all other sums then due and payable that may be secured by this Security Agreement and the Mortgage, and (ii) if the Shipowner considers the amount tendered to the Shipowner on account of any such Event of Loss to be unsatisfactory, the Shipowner shall have the right to contest the same by judicial or other proceedings.";

H. Concerning Section 2.10. Section 2.10(a) of Exhibit 1 hereto is hereby deleted in its entirety.

I. Concerning Section 2.11. Section 2.11 of Exhibit 1 hereto is hereby amended by inserting the words and punctuation ", or cause to be complied with and satisfied," after the phrase "comply with and satisfy" therein.

J. Concerning Section 2.12. Section 2.12 of Exhibit 1 hereto is hereby amended as follows:

1. by deleting the first paragraph thereof in its entirety;

2. by deleting all the material in the second paragraph thereof after the phrase "nine inches high," and substituting therefor the phrase "shall be prominently placed on board each of the Vessels and incorporated on a durable plate."; and

3. the notice of mortgage referred to in the second paragraph thereof shall read as set forth in Section 4 of the

Charter during the Charter Period, and thereafter shall be appropriately modified to delete references to the Charter.

K. Concerning Section 2.16. Article II of Exhibit 1 hereto is hereby amended by adding a new Section 2.16 to read as follows:

"Section 2.16. Performance by Charterer. The obligations of the Shipowner under Sections 2.04 (except with respect to the title to the Vessels and clause (b)), 2.07, 2.09(1), 2.11 and 2.12 hereof shall be deemed in all respects satisfied by the Charterer's performance thereof. The Shipowner shall not have any responsibility for the failure to perform such obligations, irrespective of whether the Charter is in effect, but, if the Shipowner's failure to perform such obligations, but for this Section 2.16, would have constituted the basis for a Default under Article VI, then the failure of both the Shipowner and the Charterer to perform such obligations shall constitute the basis for such Default."

L. Concerning Articles III, IV and V. Articles III, IV and V of Exhibit 1 hereto are hereby deleted in their entireties and the following Articles III, IV and V are substituted therefor:

"ARTICLE III
THE SECURED NOTES

Section 3.01. Form of Secured Notes. The Secured Notes shall be substantially in the form set forth in Exhibit 2 hereto, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Security Agreement or as may, consistently herewith, be determined by any officer executing such Secured Notes, as evidenced by his execution thereof.

Section 3.02. Terms. The aggregate principal amount of Secured Notes which may be issued and delivered under this Security Agreement is limited to an amount not to exceed \$3,216,000 (except for Secured Notes issued in lieu of other Secured Notes pursuant to Section 3.04 hereof). Each Secured Note shall bear interest and be payable as provided in the form thereof set forth in Exhibit 2 hereto. The Secured Notes shall be subject to prepayment as provided in Sections 2.09 and Article IV hereof.

Section 3.03. Execution and Dating of Secured Notes. The Secured Notes shall be executed on behalf of the Shipowner by the manual signature of a duly authorized officer of the Shipowner. Each Secured Note shall be dated the date on which such Secured Note is issued.

Section 3.04. Mutilated, Destroyed, Lost or Stolen Secured Notes. If (i) any mutilated Secured Note is surrendered to the Shipowner or (ii) satisfactory evidence of the destruction, loss or theft of any Secured Note is presented to the Shipowner and there is delivered to the Shipowner a written undertaking of the Loan Participant to hold the Shipowner and the Security harmless, the Shipowner shall execute and deliver to the Loan Participant, in exchange for any such mutilated Secured Note or in lieu of any such destroyed, lost or stolen Secured Note, a new Secured Note of like tenor, date and principal amount bearing a number not contemporaneously outstanding. Upon the issuance of any new Secured Note under this Section 3.04, the Shipowner may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. The provisions of this Section 3.04 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Secured Notes.

Section 3.05. Payments Only from Security; Rights and Liabilities of the Shipowner, Etc. Notwithstanding any other provision of this Security Agreement, all payments of principal and interest to be made on the Secured Notes and all payments to be made under this Security Agreement or the Mortgage shall be made only from the income and proceeds of the Security and only to the extent that the Shipowner shall have actually received sufficient income or proceeds from the Security

to make such payments in accordance with the terms hereof. The Loan Participant agrees that it will look, as against the Shipowner and the Owner Participant, solely to the income and proceeds from the Security to the extent available for distribution to it as herein provided, and that neither the Shipowner nor any Affiliate of the Shipowner nor the Owner Participant nor any Affiliate of the Owner Participant is personally liable to the Loan Participant for any amounts payable under any Secured Note or this Security Agreement or the Mortgage, nor to return any sums properly distributed to the Shipowner in accordance with the terms of this Security Agreement.

The Connecticut Bank and Trust Company, National Association, is not a fiduciary for the Loan Participant, and shall not be answerable or accountable or liable in its individual capacity under this Security Agreement or under the Mortgage or the Secured Notes to the Loan Participant or any other person under any circumstances, except for its own willful misconduct or gross negligence or as otherwise expressly provided in the Participation Agreement. The Connecticut Bank and Trust Company, National Association, acts hereunder solely as owner trustee under the Trust Agreement, and reference is made to the Trust Agreement and to the Participation Agreement for a description thereunder of the rights, duties and authority of The Connecticut Bank and Trust Company, National Association.

ARTICLE IV PREPAYMENT OF SECURED NOTES

Section 4.01. Applicability of Article.
Prepayment of the Secured Notes as required or permitted by any provision of this Security Agreement or of the Secured Notes shall be made in accordance with this Article IV. The Secured Notes shall be prepaid at the principal amount thereof plus interest accrued and unpaid thereon to the date of prepayment and without premium, as follows: (a) in whole or in part as provided in Section 2.09 following an Event of Loss referred to therein, (b) in whole or in part in the event of termination of the Charter with respect to any Vessels as provided in Section 17 thereof, (c) in part in the event of a sale of any Covers as provided in Section 8(c) of the Charter and (d) in whole or in part at the option of the Shipowner as provided in Section 4.05. The aggregate principal amount of Secured Notes to be prepaid as described in clause (b) or (c) shall be the

Proportionate Part of the outstanding Secured Notes in respect of the Vessels or Covers involved.

Section 4.02. Prepayment Dates; Notices. The prepayment date for Secured Notes to be prepaid as described in Section 4.01(a) shall be the date specified in clause (3) of Section 2.09; the prepayment date for Secured Notes to be prepaid as described in Section 4.01(b) shall be the Termination Date as provided in Section 17 of the Charter (but only if the Charter shall in fact be terminated as to any Vessels in accordance with Section 17 thereof); the prepayment date for Secured Notes to be prepaid as described in Section 4.01(c) shall be the date on which the Covers are sold as provided in Section 8(c) of the Charter; and the prepayment date for Secured Notes to be prepaid as described in Section 4.01(d) shall be the date specified by the Shipowner pursuant to Section 4.05. Notice of any prepayment described in Section 4.01(b), (c) or (d) shall be given to the Loan Participant by or on behalf of the Shipowner not less than ten days prior to any such prepayment except that no prior notice shall be required in the case of any prepayment described in Section 4.01(d) if an Event of Default shall have occurred and be continuing under the Charter. Any such notice shall state the prepayment date, the principal amount of each Secured Note to be prepaid, the amount of interest which shall have accrued and be unpaid on the prepayment date and, in the case of prepayment in whole, the place or places where the Secured Notes may be surrendered. In the event of any change in any of the information stated in any such notice for any reason, the Shipowner shall give or cause to be given notice thereof to the Loan Participant promptly after the Shipowner obtains Actual Knowledge of such change.

Section 4.03. Deposit of Funds. At or before 12:00 noon Boston time on any prepayment date, the Shipowner shall cause to be deposited with the Loan Participant immediately available funds in an amount which, together with other funds held by the Loan Participant and available for application to such prepayment pursuant to the provisions hereof, shall be sufficient to make such prepayment.

Section 4.04. Secured Notes Payable on Prepayment.
(a) In the case of prepayment in part, the Secured Notes shall become due and payable ratably, without priority of one over the other, in the proportion that the aggregate principal amount to be prepaid bears to the

aggregate principal amount of all Secured Notes then outstanding, together with interest accrued and unpaid on the principal amount prepaid to the date of such prepayment. Prepayment shall be made without presentment of the Secured Notes and from and after such date the Secured Notes shall cease to bear interest on the amount of principal so prepaid.

(b) In the case of prepayment in whole, the Secured Notes shall become due and payable on the prepayment date, together with interest accrued and unpaid on the principal amount prepaid to the date of such prepayment and from and after such date the Secured Notes shall cease to bear interest. Promptly upon such prepayment, the Loan Participant shall surrender the Secured Notes to the Shipowner in accordance with the instructions of the Shipowner.

(c) If any Secured Note to be prepaid in part or in whole shall not be paid as aforesaid, the principal amount thereof to have been prepaid and interest thereon, to the extent permitted by applicable law, shall bear interest from the prepayment date until paid at the Default Rate, unless such prepayment is an optional prepayment pursuant to Section 4.05 and the Shipowner shall not have deposited funds in accordance with Section 4.03, in which case the proposed prepayment shall be nullified.

Section 4.05. Optional Prepayment of Secured Notes. Upon the notice and in the manner and with the effect provided in this Article IV, the Secured Notes may be prepaid at any time in whole or at any time and from time to time in part, at the option of the Shipowner, at the unpaid principal amount to be so prepaid together with interest, if any, on such amount accrued and unpaid to the date fixed for prepayment and without premium upon notice given by the Shipowner to the Loan Participant not less than ten days prior to the date specified in such notice as the prepayment date, except that no prior notice shall be required if an Event of Default shall have occurred and be continuing under the Charter.

Section 4.06. Installments after Prepayment in Part. In the case of any prepayment in part, the amount of each installment of principal in respect of each Secured Note becoming due thereafter shall be recalculated by the Loan Participant to reflect such prepayment in part, and shall in each case be equal to

the amount obtained by multiplying the principal amount which would have been payable in respect of such Secured Note by a fraction, the numerator of which is the aggregate unpaid principal amount of Secured Notes outstanding immediately after such prepayment in part and the denominator of which is the aggregate unpaid principal amount of Secured Notes outstanding immediately preceding such prepayment in part (such adjustments to be cumulative in the case of more than one prepayment in part); provided, however that the final installment of interest and principal shall be in an amount sufficient to discharge interest accrued and unpaid on such Secured Note and the unpaid principal thereof. The Loan Participant shall send notice of each such recalculation to the Shipowner and the Charterer.

ARTICLE V
RECEIPT AND APPLICATION OF FUNDS

Section 5.01. Distribution of Basic Charter Hire. Except as otherwise provided in Section 6.05 hereof, each installment of Basic Charter Hire received by the Loan Participant shall be applied by the Loan Participant as follows:

First, so much of such amounts as shall be required to pay the principal of and accrued interest on the outstanding Secured Notes then due and payable shall be distributed to the Loan Participant for application to such payment; and

Second, the balance, if any, of such amounts remaining thereafter shall be paid to the Shipowner.

Section 5.02. Distribution of Payments Received Pursuant to Section 2.09 or 4.05 of this Security Agreement or Section 17 or 8(c) of the Charter. Except as otherwise provided in Section 6.05 hereof, any amounts received by the Loan Participant as contemplated by Section 2.09 or 4.05 hereof, or as a result of a termination of the Charter as to any Vessel pursuant to Section 17 of the Charter, or as a result of a sale of any Cover pursuant to Section 8(c) of the Charter, shall in each case be applied by the Loan Participant as follows:

First, so much of such amounts as shall be required to prepay pursuant to Section 2.09 or Article IV hereof the Secured Notes to be prepaid shall be applied by the Loan Participant to the prepayment thereof on the prepayment date therefor; and

Second the balance, if any, of such amounts remaining thereafter shall be paid to the Shipowner.

Section 5.03. Distribution in Accordance with Charter and Participation Agreement and Refinancing Agreement. Except as otherwise provided in Section 6.05 hereof, any payments received by the Loan Participant for the application of which provision is made in the Charter or the Participation Agreement or the Refinancing Agreement shall be applied by the Loan Participant in accordance with the terms of, and for the purpose specified in, the Charter or the Participation Agreement or the Refinancing Agreement, as the case may be.

Section 5.04. Other Distribution. Except as otherwise provided in Section 6.05 hereof, (a) any payments received by the Loan Participant for which no provision as to the application thereof is made in the Charter or the Participation Agreement or the Refinancing Agreement or elsewhere in this Security Agreement and (b) all payments received and amounts realized by the Loan Participant under the Charter or otherwise with respect to any Vessel (including, without limitation, all amounts realized upon the sale or recharter of any Vessel) to the extent received or realized at any time after payment in full of the principal of and interest on all Secured Notes, as well as any other amounts then remaining as part of the Security, shall be paid by the Loan Participant to the Shipowner.

Section 5.05. Application of Distributions to Secured Notes. In the case of each Secured Note, any payment made in respect of any payment of principal and interest and any other payments made with respect thereto shall be applied:

First, to the payment of interest accrued to the date of such payment; and

Second, except as provided in Section 4.06, to the payment of the installments of principal then due thereunder in the order of their Stated Maturities.

Section 5.06. Distributions Withheld from the Shipowner, Etc. Anything in this Article to the contrary notwithstanding, after a Responsible Officer of the Loan Participant shall have Actual Knowledge of a

Default or other event which, after lapse of time or any action or occurrence (including without limitation the giving of notice) would become a Default, all amounts (other than amounts under Sections 10, 11 or 12 of the Participation Agreement and Section 12 of the Refinancing Agreement) which, but for the provisions of this Section 5.06, would otherwise be distributable to the Shipowner or the Owner Participant shall be held by the Loan Participant as part of the Security and, if such Default or other event shall cease to be continuing prior to the time such amounts may become distributable pursuant to Section 6.05 hereof, such amounts shall be distributed as elsewhere in this Article V provided.

Section 5.07. Distributions to the Shipowner. Any amounts which would be distributable by the Loan Participant to the Shipowner pursuant to this Security Agreement shall instead be distributed to the Owner Participant if and to the extent that the Loan Participant shall have received written instructions to such effect from the Owner Participant and the Shipowner."

M. Concerning Section 6.01. Section 6.01 of Exhibit 1 hereto is hereby amended as follows:

1. by deleting paragraph (a) of Section 6.01 in its entirety and substituting therefor the following:

"(a) Default in the payment of the whole or any part of the interest on any of the outstanding Secured Notes when the same shall become due and payable or default in the payment of the whole or any part of the principal of any of the outstanding Secured Notes when the same shall become due and payable, whether by reason of maturity, redemption, acceleration or otherwise, and continuation of such default for a period of 30 days shall constitute and is herein called a "Payment Default".";

2. by deleting from paragraph (b) of Section 6.01 clauses (1) and (7) thereof;

3. by deleting from paragraph (b) of Section 6.01 clause (6) thereof and substituting therefor the following:

"(6) Any Event of Default under the Charter which has occurred and is continuing, whether or not the Shipowner has declared the Charter to be in default;"

4. by deleting the last paragraph of Section 6.01 in its entirety.

N. Concerning Section 6.02. Section 6.02 of Exhibit 1 hereto is hereby amended by deleting it in its entirety and substituting therefor the following:

"Section 6.02. Acceleration of Maturity of the Secured Notes. The Loan Participant may, by giving written notice to the Shipowner, declare the principal of the Secured Notes and interest accrued thereon to be immediately due and payable at any time after the occurrence and during the existence of any Default. Thereupon the principal of and interest on the Secured Notes shall become immediately due and payable."

O. Concerning Section 6.03. Section 6.03 of Exhibit 1 hereto is hereby amended by deleting it in its entirety and substituting therefor the following:

"Section 6.03. Waiver of Default; Rescission of Acceleration. The Loan Participant may by written notice to the Shipowner waive any Default and its consequences, or rescind any declaration of acceleration pursuant to Section 6.02, but no such waiver or rescission shall extend to any subsequent or other Default or declaration of acceleration or impair any right consequent thereon."

P. Concerning Section 6.04. Section 6.04 of Exhibit 1 hereto is hereby amended by deleting paragraphs (a) and (b) in their entireties and substituting the following:

"(a) If a Default shall have occurred and shall continue to exist, the Loan Participant shall have the right to

(1) Take the Vessels without legal process wherever the same may be (and the Shipowner or other person in possession shall forthwith surrender possession of the Vessels to the Loan Participant upon demand) and hold, lay up, lease, charter, operate, or otherwise use the Vessels for such time and upon such terms as the Loan Participant may reasonably deem to be for the best advantage to the Loan Participant' accounting only for the net profits, if any, arising from such use of the Vessels and charging against all receipts from the use of the Vessels all reasonable charges and expenses in connection with such use of the Vessels;

(2) Exercise all the rights and remedies in foreclosure and otherwise given to mortgagees by the Chapter 313;

(3) Bring suit at law, in equity or in admiralty to recover judgment for any and all amounts due under the Secured Notes, this Security Agreement and the Mortgage, collect the same out of any and all of the Security and in connection therewith obtain a decree ordering the sale of the Vessels in accordance with the following subparagraph (5);

(4) Have a receiver of the Vessels appointed as a matter of right in any suit under this Section (and any such receiver may have the rights of the Loan Participant under the following subparagraph (5));

(5) Sell the Vessels, free from any claim of the Shipowner, by public sale with sealed bids, held at such time and place and in such manner as the Loan Participant may reasonably deem advisable, after first publishing notice of the time and place of such sale for 10 consecutive Business Days in the Authorized Newspapers, and mailing a copy of such notice by

registered or certified mail to each of the Shipowner and the Charterer at its last known address, the first such publication and mailing to be made at least 30 days prior to the date fixed for such sale; provided, that such sale may be adjourned from time to time without further publication or notice (other than announcement at the time and place originally scheduled of the new time and place appointed for such sale or adjourned sale). It shall not be necessary to bring the Vessels to the place appointed for such sale or adjourned sale;

(6) Accept a conveyance of title to, and take without legal process (and the Shipowner or other person in possession shall forthwith surrender possession to the Loan Participant), the whole or any part of the Security wherever the same may be, and take possession of and hold the same;

(7) Receive, in the event of an Event of Loss, all insurance or other payments therefor to which the Shipowner would otherwise be entitled; and

(8) Pursue to final collection all claims arising under and collect such claims from, the Security.

Q. Concerning Section 6.05. Section 6.05 of Exhibit 1 hereto is hereby amended by deleting it in its entirety and substituting the following:

"Section 6.05. Application of Proceeds. (1) The proceeds (from sale or otherwise) of the whole or any part of the Security and use thereof by the Loan Participant under any of the foregoing powers, (2) the proceeds of any judgment collected by the Loan Participant for any Default hereunder, (3) the proceeds of any insurance and of any claim for damages to the whole or any part of the Security received by the Loan Participant while exercising any such power and (4) all other amounts received by the Loan Participant during the existence of a Default, including amounts which are required by Sections 2.07 and 2.09 or otherwise to be applied as provided in this Section, shall be applied as follows:

First, so much of such amounts as shall be required to reimburse the Loan Participant for any expenses incurred in connection with the collection and distribution of such amounts shall be distributed to the Loan Participant;

Second, so much of such amounts as shall be required to pay the principal of and accrued interest on the outstanding Secured Notes then due and payable, whether by declaration of acceleration pursuant to Section 6.02 or otherwise, shall be distributed to the Loan Participant;

Third, so much of such amounts as shall be required to pay to the Loan Participant and the Shipowner any indemnities and any additional amounts owing to them under the Charter or pursuant to Sections 10 through 12 of the Participation Agreement or pursuant to Section 12 of the Refinancing Agreement shall be distributed to the Loan Participant and the Shipowner ratably, without priority of one over the other, in the proportions that the aggregate unpaid amount of such indemnities and additional amounts owing to each bears to the aggregate unpaid amount of such indemnities and additional amounts owing to the Loan Participant and the Shipowner; and

Fourth, the balance, if any, of such amounts remaining thereafter shall be paid to the Shipowner."

R. Concerning Sections 6.08 and 6.09. Article VI of Exhibit 1 hereto is hereby amended by adding a new Section 6.08 and a new Section 6.09 to read as follows:

"Section 6.08. Remedy of Defaults. In the event of any default in the payment of any installment Basic Charter Hire, the Shipowner may to the extent permitted by this Section 6.08 pay to the Loan Participant a sum equal to the amount of Basic Charter Hire then due and payable, together with any interest then due and payable thereon pursuant to the Charter. In the event of any default in any other obligation under the Charter which can be cured through the payment or application of money, the Shipowner may to the extent permitted by this Section 6.08 perform such obligation on behalf of the Charterer. Solely for the purpose of

determining whether there exists a Default under this Security Agreement, (a) any payment pursuant to the first sentence of this Section 6.08, if made before the 10th Business Day after the related Default occurs, shall be deemed to remedy such default; provided, however, that this Section 6.08 shall not permit the remedying of any default in the payment of Basic Charter Hire if the Shipowner shall have exercised its right under this Section 6.08 to remedy any such default on the two immediately preceding Charter Hire Payment Dates, and (b) any performance by the Shipowner pursuant to the second sentence of this Section 6.08, if completed before the 30th day after the related Default occurs, shall be deemed to remedy such default to the same extent that like performance by the Charterer would have remedied such default; provided, however that this Section 6.08 shall not permit the remedying of any default specified in the foregoing clause (a) or (b) if the Shipowner shall previously have exercised four times its rights under this Section 6.08 to remedy defaults.

If, on the basis specified in the preceding sentence, all Defaults shall have been remedied, then any declaration of default pursuant to Section 20 of the Charter, and any declaration pursuant to Section 6.02 shall be deemed to be rescinded. The Shipowner may make a demand upon the Charterer for repayment, as Supplemental Charter Hire, of all amounts expended by the Shipowner in effecting any remedy pursuant to this Section 6.08, together with interest on such amounts as provided in the Charter. All such amounts may be paid directly to the Shipowner unless a Default shall have occurred and be continuing, in which event all such amounts shall be paid to the Loan Participant and upon receipt of the repayment so demanded, the Loan Participant shall apply the same as provided in Section 6.05. The Shipowner agrees that, except in accordance with the provisions of this Section 6.08, it shall not seek to recover or accept any repayment in respect of amounts expended by the Shipowner in effecting any remedy pursuant to this Section 6.08 until this Security Agreement shall have been satisfied and discharged. Nothing in this Section 6.08 shall be deemed to relieve the Charterer of its duty to pay all Basic Charter Hire and Supplemental Charter Hire and to perform all of its obligations pursuant to the Charter, the Participation Agreement and the Refinancing Agreement.

Section 6.09. Rights of Shipowner. Nothing in this Article VI shall interfere with the right of the

Shipowner to bring suit at law, in equity or in admiralty for the specific performance by the Charterer or the Shipbuilder of their respective obligations under the Charter, the Participation Agreement, the Refinancing Agreement, or the Construction Contract, or to recover damages for the breach thereof, provided that any damages so recovered in respect of any Rights Under the Charter or Rights Under the Construction and Related Contracts shall be subject to the lien of this Security Agreement and paid over to the Loan Participant.

S. Concerning Article VII. Article VII of Exhibit 1 hereto is hereby deleted in its entirety.

T. Concerning Section 8.01. Section 8.01 of Exhibit 1 hereto is hereby amended by adding to the end thereof the phrase ", provided that no such amendment or supplement shall be made without the written consent of the Charterer if such amendment or supplement would increase the obligations of the Charterer."

U. Concerning Section 8.02. Section 8.02 of Exhibit 1 hereto is hereby amended by deleting the phrase "with 15 days' prior notice".

V. Concerning Section 8.03. Section 8.03 of Exhibit 1 hereto is hereby amended by deleting it in its entirety and substituting therefor the following:

"Section 8.03. Amendments and Supplements to the Charter, Etc. The Shipowner agrees that no amendments, supplements or waivers will be made to or in respect of any provision of the Charter or any other document referred to in the Granting Clause hereof without the prior written consent of the Loan Participant, and any purported action or attempt to take action forbidden to be taken by this Section shall be null and void and of

no force or effect."

W. Concerning Section 9.01. Section 9.01 of Exhibit 1 is hereby amended by (i) adding the following at the end of paragraph (a) thereof' "The proviso to the preceding sentence notwithstanding, nothing in this Section 9.01(a) shall be construed to require the Loan Participant's consent to (x) any lawful merger or consolidation of the Loan Participant with or into any other Person, or (y) the transfer to a qualified successor Shipowner of the Shipowner's title and interest in and to any Vessel in accordance with Article VII of the Trust Agreement."; (ii) deleting paragraph (b) thereof in its entirety and substituting therefor the following:

"(b) the Person formed by or surviving such consolidation or merger (if such Person shall not be the Shipowner), or to which such sale shall have been made (herein called the "Successor"), shall, by instrument amending or supplementing this Security Agreement and the Mortgage, as may be necessary, expressly assume the payment of the principal of and interest on the outstanding Secured Notes in accordance with the terms of the Secured Notes, and also shall expressly assume the performance of the agreements of the Shipowner in this Security Agreement, the documents referred to in the Granting Clause hereof and the Participation Agreement.";

and (iii) adding the following at the end of paragraph (c) thereof: "Nothing in this Section 9.01(c) shall be construed to require the Loan Participant's consent to the transfer to a qualified successor Shipowner of the Shipowner's title and interest in and to any Vessel in accordance with Article VII of

the Trust Agreement."

X. Concerning Section 10.01. For purposes of Section 10.01 of Exhibit 1 hereto, the addresses of the Shipowner, the Loan Participant and the Charterer are as follows:

Shipowner: The Connecticut Bank and Trust Company,
National Association
One Constitution Plaza
Hartford, Connecticut 06115
Attention: Corporation Trust Department
CTHMA06K

With a copy to:

New England Merchants
Leasing Corporation B-7
28 State Street
P.O. Box 2332
Boston, Massachusetts 02109
Attention: Senior Vice President,
Administration

Loan Participant: NEMLC Leasing Corporation
28 State Street
P.O. Box 2332
Boston, Massachusetts 02109
Attention: Senior Vice President,
Administration

Charterer: National Marine, Inc.
1515 Poydras, Suite 1500
New Orleans, Louisiana 70152
Attention: President

Y. Concerning Section 11.01. Section 11.01 of Exhibit 1 hereto is hereby amended by deleting paragraph (b) thereof in its entirety and substituting therefor the following:

"(b) The Shipowner shall notify the Charterer promptly of the satisfaction and discharge of this Security Agreement and the Mortgage."

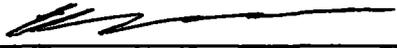
Z. Concerning Section 12.01. Section 12.01 of Exhibit 1 hereto is hereby amended by inserting in the second sentence thereof after the phrase "successors and assigns," the phrase "and the Charterer to the extent expressly provided herein,".

AA. Concerning Section 12.06. Section 12.06 of Exhibit 1 hereto is hereby deleted in its entirety.

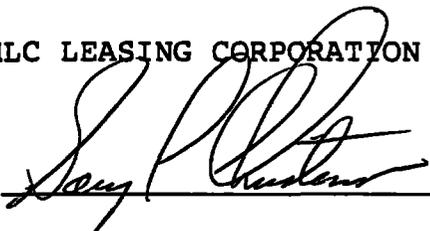
BB. Concerning the Special Provisions. In the event of any conflict in, or inconsistency between, the Special Provisions and General Provisions of this Security Agreement, the Special Provisions shall control, except to the extent otherwise required by Section 12.05.

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be executed and delivered as of the day and year first above written.

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, acting not in its individual capacity but solely as owner trustee under the Trust Agreement referred to herein

By  _____

NEMLC LEASING CORPORATION

By  _____

List of Exhibits to Security Agreement

1. General Provisions of the Security Agreement
2. Secured Note
3. First Preferred Fleet Mortgage covering the Vessels
4. Construction Contract
5. Bareboat Charter, as amended
6. Participation Agreement, as amended
7. Refinancing Agreement
8. Assignment of First Preferred Fleet Mortgage covering the Collateral Vessels
9. Assignment at Second Preferred Fleet Mortgage covering the Collateral Vessels

**SCHEDULE X to
SECURITY AGREEMENT**

Definitions

SCHEDULE X - DEFINITIONS (NM-1)

"Act" means the Merchant Marine Act, 1936, as amended, and in effect on the Obligation Closing Date.

"Act of Obligee" means any request, demand, authorization, direction, notice, consent, waiver or other action to be given or taken by the Obligees and embodied in one or more documents of the type and executed in the manner required by the Indenture.

"Actual Cost" means the actual cost of the construction as a Vessel as determined and redetermined by the Secretary pursuant to Sections 1101(f) and 1104(b)(2) of the Act.

"Actual Knowledge" or "actual knowledge" means, when used with respect to a corporation, actual knowledge of a Responsible Officer thereof, when used with respect to a bank or trust company, actual knowledge of a Responsible Officer in the corporate trust department thereof and when used with respect to any other Person, actual knowledge of such Person.

"Adjustment" has the meaning set forth in Section 23(a) of the Participation Agreement.

"Affiliate" of any specified Person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, the term "control" when used with respect to any specified Person means the possession, directly or indirectly, of the power to direct the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Amendment No. 1 to Title XI Reserve Fund and Financial Agreement" means Amendment No. 1 to Title XI Reserve Fund and Financial Agreement dated the Obligation Closing Date among the Secretary, the Charterer and the Subsidiaries of the Charterer named therein.

"Amendment No. 3 to Title XI Reserve Fund and Financial Agreement" means the Restricted Title XI Reserve Fund and Financial Agreement.

"Appraisal Procedure" has the meaning set forth in Section 21(b) of the Charter.

"Authorization Agreement" means the Authorization Agreement dated the Obligation Closing Date between the Secretary and the Indenture Trustee whereby the Secretary authorizes the Guarantees of the United States to be imprinted on each of the Obligations pursuant to Title XI, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Authorized Newspapers" means "The Wall Street Journal" (all editions), "The Journal of Commerce" and a newspaper of general circulation in Hartford, Connecticut printed in the English language, and customarily published on each Business Day, whether or not published on Saturdays, Sundays or legal holidays. Whenever successive weekly publications in Authorized Newspapers are required under any agreement or other documents, they may be made (unless otherwise expressly provided therein) on the same or different days of the week and in the same or in different Authorized Newspapers. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or for any other reason, it is impossible or impractical to publish any notice required to be published in the Authorized Newspapers in the manner required, then such publication in lieu thereof as shall be made with the approval, in the case of a notice under the Authorization Agreement, of the Secretary or, in the case of notice under the Indenture, of the Indenture Trustee, shall constitute a sufficient publication of such notice.

"Bank" means The Connecticut Bank and Trust Company, National Association (as successor by merger to the Connecticut Bank and Trust Company, a Connecticut banking corporation), and its successors and assigns.

"Basic Charter Hire" means any or all of the amounts payable by the Charterer pursuant to Section 3(a)(2) of the Charter.

"Bond" means each and "Bonds" means every Obligation described in Recital B of the Special Provisions of the Indenture.

"Bond Purchase Agreement" means the agreement referred to Recital D of the Authorization Agreement among the Shipowner, the Charterer and the purchaser named therein relating to the purchase and sale of the Obligations as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Bondholders" means the holders of the Obligations.

"Business Day" means a day which is not a Saturday, Sunday or other day on which banking institutions doing business in New Orleans, Louisiana, Boston, Massachusetts or Hartford, Connecticut are authorized or obligated by law or required by executive order to be closed.

"Change" means a Change in Debt, a Change in Tax Law, or a Change in Transaction Costs.

"Change in Debt" means the occurrence of any of the following as a result of a refinancing of the Secured Notes issued to the Lender as contemplated by Section 19(a) or (b) of the Participation Agreement: (i) other than 61.3418% of Shipowner's Cost of all Vessels is refinanced with the proceeds of the Refinancing Obligations; (ii) the interest rate borne by the Refinancing Obligations is other than 14% per annum, or (iii) the final maturity of the Refinancing Obligations, the method or schedule of amortization of the principal amount of the Refinancing Obligations or the number or frequency of the installment payments of such principal, differs from the final maturity of the Secured Notes or the method or schedule of amortization of the principal amount of the Secured Notes or the number or frequency of the installment payments of such principal.

"Change in Tax Law" means the enactment or adoption of any amendment to the Code or to any Treasury Regulation which is enacted or adopted and has an effective date prior to April 1, 1982 and which (i) increases or decreases (or which would, if elected by the Owner Participant, increase) any of the Owner Participant's intended tax benefits in respect of any Vessel as set forth in Section 11(a) of the Participation Agreement, or (ii) increases or decreases the maximum marginal tax rate at which the Owner Participant is subject to federal income tax from the present tax rate of 46%, or (iii) increases or decreases the tax benefits from deductions of interest on the Secured Notes or Refinancing Obligations or from the method for depreciating or amortizing Transaction Costs (assuming that no portion thereof constitutes part of Vessel Costs).

"Change in Transaction Costs" means (i) a change in the amount of Transaction Costs which results in the actual amount of Transaction Costs (including Refinancing Costs) being greater or lesser than 0.99% of Shipowner's Cost, or (ii) a change in the ratio of the total investment of the Owner Participant in Shipowner's Cost to the aggregate original principal amount of Secured Notes as a result of the payment by the Owner Participant of 100% of Differential Shipowner's Cost under the circumstances contemplated by Section 2(d) of the Participation Agreement.

"Chapter 313" shall mean Public Law 100-710 to be codified as 46 U.S.C. Chapter 313, as the same from time to time may be amended.

"Charter" means the Amended and Restated Bareboat Charter dated as of the Obligation Closing Date, as the same has been and may be further modified, amended or supplemented (whether by a Charter Supplement or otherwise) from time to time in accordance with the applicable provisions thereof.

"Charterer" means National Marine, Inc. (the name of which has been changed from Dravo Mechling Corporation), a Delaware corporation, and its successors and assigns.

"Charter Hire Payment Date" means June 30 and December 31 of each year through and including December 31, 2001 and, during any Renewal Term, each June 30 and December 31 thereof.

"Charter Period" means, prior to the giving of the first Renewal Notice, the Original Term, and after any Renewal Notice has been given, the Original Term and all succeeding Renewal Terms.

"Charter Supplement" means any supplement to the Charter substantially in the form attached thereto between the Shipowner and the Charterer, as the same may be modified, amended or supplemented in accordance with the applicable provisions thereof.

"Charterer-Furnished Equipment" means all items and equipment furnished by or on behalf of the Charterer for any Vessel, the cost of which shall have been included in the Vessel Costs for such Vessel.

"Citizen" means a "citizen of the United States" within the meaning of Section 2 of the Shipping Act, 1916, as amended, qualified to engage in the coastwise trade.

"Code" means the Internal Revenue Code of 1954, as amended, or any comparable successor law.

"Consent of Shipbuilder" means the Consent of Shipbuilder dated the date of the Security Agreement the Shipbuilder to the Shipowner and the Secretary evidencing, among other things, the consent to the assignment of the Construction Contract, as the same may be modified, amended or supplemented from time in accordance with the applicable provisions thereof.

"Consent to Assignment of Charter" means that certain

consent of the Charterer dated the Obligation Closing Date, evidencing consent to the assignment of the Charter by the Shipowner to the Secretary under the Security Agreement, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Construction" means the construction of a Vessel, including designing, inspecting, outfitting and equipping thereof, pursuant to the Construction Contract.

"Construction Contract" means the construction contract dated August 27, 1980 between the Charterer and the Shipbuilder, as the same may be modified, amended or supplemented from time to time in accordance with the applicable provisions thereof.

"Construction Contract Assignment" means the Construction Contract Assignment dated as of April 1, 1981 between the Charterer and the Shipowner, and consented to by the Shipbuilder, as the same may be modified, amended or supplemented from time to time in accordance with the applicable provisions thereof.

"Corporate Trust Department" or "Corporate Trust Office" means the principal office of the Indenture Trustee in the City of Baltimore, Maryland, at which at any time its corporate trust business shall be administered, which office at the date of execution and delivery of the indenture is located at Two Hopkins Plaza, Baltimore, Maryland 21201.

"Cover" means the set of roll top covers delivered with a box hopper barge which together constitute a Vessel.

"Cover Casualty" with respect to a Cover means any of the following events with respect to such Cover: (i) the actual, constructive, agreed or total loss thereof for any reason whatsoever; (ii) the condemnation, forfeiture, confiscation or seizure (for a period in excess of five days, unless occurring as a result of or in connection with a Lien required to be discharged pursuant to Section 17 of the Participation Agreement, in which event for a period continuing beyond 120 days) of, or requisition of title to, such Cover provided that, if such condemnation, forfeiture, confiscation or seizure under this clause (ii) occurs as a result of or in connection with Shipowner's Liens or Owner Participants' Liens and if, on or prior to the date for payment of Stipulated Loss Value with respect to such Cover Casualty, the Cover condemned, forfeited, confiscated or seized is recovered by the Shipowner or the Charterer, no Cover Casualty shall be deemed to have occurred and the Charter shall continue in full force and effect with respect to such Cover; (iii) a requisition of use of such Cover by any

governmental authority (other than the United States or any agency or instrumentality thereof) for a period in excess of 180 days; or (iv) a requisition of use of such Cover by any governmental authority for a period which extends beyond the end of the Charter Period with respect to such Cover.

"Crew's Wages" means wages of the crew of a Vessel including the wages of a master to the extent provided by Public Law 90-293 of the United States, approved April 25, 1968.

"Default" or "Default under the Security Agreement", when used with respect to the Security Agreement or the Mortgage, has the meaning specified in Section 6.01 of Exhibit 1 to the Security Agreement.

"Default Rate" means, with respect to any time period, such interest rate as would be applicable respecting such time period to any overdue payments of principal of, and pursuant to the terms of, the Secured Notes; provided, however, that the term "Default Rate", with respect to any time period during which there shall not be outstanding any Secured Notes shall mean, to the extent permitted by applicable law, an interest rate equal to 1% per annum over the interest rate most recently applicable to the Secured Notes.

"Delivery Date" means each date, which shall be a Business Day, on which any Vessel is delivered by the Shipbuilder and accepted by the Shipowner pursuant to the Construction Contract and simultaneously delivered by the Shipowner and accepted by the Charterer pursuant to the Charter.

"Delivery Date Certificate of Shipowner's Cost" means, with respect to any Vessels, a certificate of the Charterer, substantially in the form of Exhibit G to the Participation Agreement, approved by the Shipowner, dated the Delivery Date for such Vessels, which shall set forth in reasonable detail for such Vessels (a) the amount of all items of Vessel Costs and Transaction Costs which have been paid prior to the date of said certificate, (b) the amount of all items of Vessel Costs and Transaction Costs which are due and payable on such Delivery Date specifying to whom each such item is payable and attaching to such certificate an invoice, bill or similar document, if available, of each person who is to be paid and (c) the amount of the Owner Participant's investment and the Lender's loan to be made pursuant to Section 2(c) of the Participation Agreement.

"Depository" means Mercantile-Safe Deposit and Trust Company, a Maryland banking corporation, as Depository, or any successor or assign under the Depository Agreement.

"Depository Agreement" means the depository agreement, dated the Obligation Closing Date, among the Shipowner, the Secretary, the Charterer and the Depository, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Depreciated Actual Cost" means the depreciated actual cost of the Vessels as determined and redetermined by the Secretary pursuant to the Security Agreement and Sections 1101(g) and 1104(b)(2) of the Act.

"Differential Shipowner's Cost" means, with respect to any Vessel, the aggregate of all Transaction Costs (other than Refinancing Costs) which would have been properly includable in Shipowner's Cost for such Vessel on the Delivery Date of such Vessel but which were not included in the Delivery Date Certificate of Shipowner's Cost for such Vessel because such Transaction Costs were unknown or uncertain as of such Delivery Date, as the same shall be set forth in the Settlement Date Certificate of Shipowner's Cost.

"Dollars" means any coin or currency which at the time of payment is legal tender for the payment of public and private debts in the United States.

"Event of Default" means any of the events specified in Section 19 of the Charter.

"Event of Loss" with respect to any Vessel means any of the following events with respect to such Vessel: (i) the actual, constructive, agreed or total loss thereof for any reason whatsoever; (ii) the condemnation, forfeiture, confiscation or seizure (for a period in excess of five days, unless occurring as a result of or in connection with a Lien required to be discharged pursuant to Section 17 of the Participation Agreement, in which event for a period continuing beyond 120 days) of, or requisition of title to, such Vessel or Cover provided that, if such condemnation, forfeiture, confiscation or seizure under this clause (ii) occurs as a result of or in connection with Shipowner's Liens or Owner Participant's Liens and if, on or prior to the date for payment of Stipulated Loss Value with respect to such Event of Loss, the Vessel condemned, forfeited, confiscated or seized is recovered by the Shipowner or the Charterer, no Event of Loss shall be deemed to have occurred and the Charter shall continue in full force and effect with respect to such Vessel; (iii) a requisition of use of such Vessel by any governmental authority (other than the United States or any agency or instrumentality thereof) for a period in excess of 180 days; or (iv) a requisition of use of such Vessel by any governmental authority for a period which extends beyond the end of the Charter Period with respect to such Vessel.

"Final Certificate of Shipowner's Cost" means a certificate of the Charterer substantially in the form of Exhibit G to the Participation Agreement, approved by the Shipowner, which shall set forth in reasonable detail (a) the amount of all items of of Refinancing Cost and (b) the amount of the Owner Participant's investment, if any, required to be made pursuant to Section 2(e) of the Participation Agreement.

"First Preferred Fleet Mortgage" means the Mortgage.

"Guarantee" means each, and "Guarantees" means every, guarantee of a Title XI Obligation by the United States pursuant to Title XI.

"Guarantee Commitment" means the Commitment to Guarantee Obligations, Contract No. MA-10784 dated that Obligation Closing Date, made by the Secretary and accepted by the Shipowner and the Charterer with respect to the Guarantees, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Guarantee Fee" means the annual fee payable to the Secretary for the Guarantees.

"Guarantor" means New England Merchants Leasing Corporation, a Massachusetts corporation, and its successors and assigns.

"Guaranty" means the Guaranty dated as of April 1, 1981 by the Guarantor, as the same may be modified, amended or supplemented in accordance with the applicable provisions thereof.

"Hire" means Basic Charter Hire and Supplemental Charter Hire.

"Hire Factors" means Basic Charter Hire, Stipulated Loss Values and Termination Values.

"Holder" means each, and "Holders" means every, registered holder of an Obligation.

"Indenture" means the Trust Indenture entered into on the Obligation Closing Date between the Shipowner and the Indenture Trustee, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Indenture Default" has the meaning specified in Section 6.01 of Exhibit 1 to the Indenture.

"Indenture Trustee" means Mercantile-Safe Deposit and Trust Company, a Maryland banking corporation, and any successor trustee under the Indenture.

"Interest Payment Date" means, with respect to any Secured Note, the date when a semi-annual installment of interest on such Secured Note is due and payable.

"Interim Security Agreement" means the Security Agreement dated April 1, 1981, between the Shipowner and the Lender.

"Lender" means Pittsburgh National Bank, a national banking association, and its successors and assigns.

"Lien" means any lien, encumbrance, mortgage, pledge, charge, lease, security interest or claim of any nature whatsoever.

"Loan Participant" means NEMLC Leasing Corporation, a Massachusetts corporation, and its successors and assigns.

"Loss Payment Date" shall have the meaning set forth in Section 14 of the Charter.

"Maritime Administration" means the Maritime Administration established by Reorganization Plan No. 21 of 1950 and continued by Reorganization Plan No. 7 of 1961, or any body or official which is successor to said Maritime Administration with respect to a particular function.

"Maturity" means, when used with respect to any Secured Note or Refinancing Obligation, the date on which the principal of such Secured Note or Refinancing Obligation becomes due and payable as therein provided, whether at the Stated Maturity or by redemption or by declaration of acceleration, or otherwise.

"Moneys Due in Respect of Construction of the Vessels" has the meaning specified in paragraph II of the Granting Clause of the Special Provisions of the Security Agreement.

"Mortgage" means prior to the Note Closing Date the First Preferred Fleet Mortgage relating to the Vessels dated the Obligation Closing Date from the Shipowner to the Secretary of Transportation and on or after the Note Closing Date the First Preferred Fleet Mortgage relating to the Vessels between the Shipowner and the Loan Participant dated the Note Closing Date,

as the same may be amended, modified or supplemented in accordance with the applicable provisions thereof.

"Mortgagee" means the Secretary of Transportation prior to the Note Closing Date and the Loan Participant on and after the Note Closing Date as mortgagee under the Mortgage.

"Mortgagor" means the Shipowner, as mortgagor under the Mortgage.

"Non-Severable Improvement" shall have the meaning assigned in Section 8(b) of the Charter.

"Note Closing Date" means February 24, 1989.

"Obligation" means each, and "Obligations" means every, obligation issued by the Shipowner and guaranteed by the United States under Title XI of the Act pursuant to the Indenture and the Authorization Agreement.

"Obligation Closing Date" means March 18, 1982, the date on which the Obligations described in Recital B to the Indenture are delivered and paid for pursuant to the Bond Purchase Agreements.

"Obligation Register" means the Obligation Register maintained as required by Section 2.10 of Exhibit 1 to the Indenture.

"Obligee" means each, and "Obligees" means every, Holder of an Obligation.

"Officer's Certificate" means, when used with respect to any corporation, a certificate signed by a Responsible Officer of such corporation and, when used in relation to the Security Agreement, conforming to the provisions of Section 1.02 of Exhibit 1 to the Security Agreement.

"Opinion of Counsel" when used in the Security Agreement means an opinion of counsel conforming to Section 1.02 of Exhibit 1 to the Security Agreement.

"Original Issue Date" has the meaning specified in Section 2.06 of Exhibit 1 to the Indenture.

"Original Term" means the period beginning on April 16, 1981 and ending on December 31, 2001, as such period may be extended pursuant to Section 1(a), 1(b) or 16 of the Charter.

"Outstanding" when used with reference to the

Obligations, shall mean all Obligations theretofore issued and authenticated under the Indenture, except -

- (1) Obligations Retired or Paid; and
- (2) Obligations in exchange for or in lieu of which other Obligations have been issued under the Indenture.

"Overall Transaction" means the construction, purchase, ownership, financing, chartering, operation and management of the Vessels as described in and contemplated by the Principal Documents.

"Owner Participant" means New England Merchants Leasing Corporation B-7, a Massachusetts corporation, and its successors and assigns.

"Owner Participant's Liens" means those Liens of the character required to be discharged by the Owner Participant pursuant to Section 17 of the Participation Agreement.

"Participants" means the Owner Participant and the Loan Participant, collectively.

"Participation Agreement" means the Participation Agreement dated as of April 1, 1981 among the Shipowner, the Owner Participant, the Charterer and the Lender, as amended by the Participation Agreement Amendment dated as of the Obligation Closing Date and as the same may be further modified, amended or supplemented from time to time in accordance with the applicable provisions thereof.

"Paying Agent" means any bank or trust company having the qualifications set forth in clauses (1), (3), (4) and (5) of Section 7.02(a) of Exhibit 1 to the Indenture which shall be appointed by the Shipowner in accordance with Section 4.02 of Exhibit 1 to the Indenture to pay the principal of (and premium, if any) or interest on the Obligations on behalf of the Shipowner.

"Payment Default" means any of the events specified in Section 6.01(a) of Exhibit 1 to the Security Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Plans and Specifications" means the plans and specifications for the construction of the Vessels as identified

in the Construction Contract, as the same may be modified, amended or supplemented from time to time pursuant to the Construction Contract.

"Principal Documents" means the following agreements and documents related to the Vessels:

Amendment No. 1 to the Title	Depository Agreement
XI Reserve Fund Agreement	Guarantee Commitment
Assignment of First	Guaranty
Preferred Fleet Mortgage	Indenture
Assignment of Second	Mortgage
Preferred Fleet Mortgage	Obligations
Authorization Agreement	Participation Agreement
Bond Purchase Agreements	Refinancing Agreement
Charter	Restricted Title XI
Charter Supplements	Reserve Fund and Financial
Collateral Mortgage	Agreement
Consent of Shipbuilder	Restricted Title XI Reserve
Consent to Charter Assignment	Fund Depository Agreement
Construction Contract	Second Mortgage
Construction Contract	Secretary's Note
Assignment	Secured Note
Depository Agreement	Security Agreement
Guarantee Commitment	Trust Agreement
Guaranty	

"Principal Office", when used with respect to the Bank or Indenture Trustee, means the office of the Bank or Indenture Trustee at which, at any particular time, its corporate trust business shall be principally administered.

"Proportionate Outstanding Obligations" means, with respect to any prepayment pursuant to the Security Agreement, the Proportionate Part Of the Secured Notes outstanding immediately prior to such redemption and in the case of any other calculation, means the Proportionate Part Of the Secured Notes outstanding as of the calculation date that is appropriate in the context.

"Proportionate Part Of" means as of the date of any calculation the portion of the item in question which bears the same proportion to the entire amount of the item in question as (x) the Depreciated Actual Cost of the Vessel or Vessels or Cover or Covers (in respect to which this calculation is being made) as of such date bears to (y) the Depreciated Actual Cost of all of the Vessels as of such date.

"Redemption Date", when used with respect to any Obligation, means the date on which such Obligation is to be

redeemed by or pursuant to Article Third of the Special Provisions of the Indenture or Article III of Exhibit 1 to the Indenture.

"Redemption Price" means with respect to any Obligation the price at which an Obligation is to be redeemed pursuant to Article Third of the Special Provisions of the Indenture or Article III of Exhibit 1 to the Indenture.

"Refinancing Agreement" means the Refinancing Agreement relating to the Vessels dated as of the Note Closing Date among the Shipowner, the Owner Participant, the Loan Participant and the Charterer, as the same may be modified, amended or supplemented from time to time in accordance with the applicable provisions thereof.

"Refinancing Cost" means those Transaction Costs that relate to the proposed issuance of Refinancing Obligations, including without limitation the preparation of the Title XI application and the Title XI Documents and other documents relating to the refinancing of the Secured Notes.

"Refinancing Date" means the date on which Refinancing Obligations shall be issued and sold.

"Refinancing Obligations" means the Obligations.

"Renewal Notice" means the notice given by the Charterer to the Shipowner pursuant to Section 21(a) of the Charter stating that the Charterer irrevocably elects to exercise its option to extend the Charter Period for a Renewal Period as stated therein.

"Renewal Term" means a period commencing at midnight on the last day of the Original Term or of the Renewal Term immediately preceding, and ending, except as expressly specified in Section 20 or 21(a) of the Charter, at midnight one year after the commencement of such period.

"Request" means a written request to a Person for the action therein specified, signed, if the Person making such request is a corporation, bank or trust company, by a Responsible Officer thereof or, if the Person making such request is not a corporation, bank or trust company, by such Person.

"Request for Payment," when used in any of the Principal Documents, means a request made by the Shipowner countersigned by the Secretary and addressed to the Depository directing withdrawal of moneys under the Depository Agreement or the Restricted Title XI Reserve Fund Depository Agreement.

"Responsible Officer" means (i) in the case of any business corporation, the chairman of the board of directors, the president, any vice president, the secretary or assistant secretary, the chief financial officer or the treasurer or assistant treasurer, (ii) in the case of any partnership, a general partner (if an individual) or a Responsible Officer of a corporate general partner thereof, and (iii) in the case of any commercial bank or trust company, the chairman or vice-chairman of the board of directors or trustees, or the chairman or vice-chairman of any executive committee of the board of directors or trustees, the president, any vice president, the secretary, the chief financial officer, the treasurer, any corporate trust officer, any executive or senior or second or assistant vice president, or any other officer, or assistant officer or other employee customarily performing functions similar to those performed by the persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of that officer's knowledge of and familiarity with the particular subject, and, with respect to the authentication of Obligations and Guarantees by the Indenture Trustee, any person specifically authorized by the Indenture Trustee to authenticate such Obligations and Guarantees.

"Restricted Title XI Reserve Fund" means the fund defined in Amendment No. 2 to Title XI Reserve Fund and Financial Agreement.

"Restricted Title XI Reserve Fund Account" is the account, maintained with the Restricted Title XI Reserve Fund Depository, defined in the Restricted Title XI Reserve Fund Depository Agreement.

"Restricted Title XI Reserve Fund and Financial Agreement" means Amendment No. 3 to Title XI Reserve Fund and Financial Agreement, dated the Obligation Closing Date, entered into between the United States and the Charterer, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Restricted Title XI Reserve Fund Depository" means Mercantile-Safe Deposit and Trust Company, a Maryland banking corporation.

"Restricted Title XI Reserve Fund Depository Agreement" means that certain agreement, Contract No. MA-10758, dated the Obligation Closing Date, among the charterer, the Depository and the Secretary, as originally executed or as modified or supplemented in accordance with the applicable provisions thereof.

"Retired or Paid", as applied to Obligations and the indebtedness evidenced thereby, means that such obligations shall be deemed to have been retired or paid and shall no longer be entitled to any rights or benefits provided in the Indenture if

- (1) such Obligations shall have been paid in full;
- (2) such Obligations shall have been cancelled by the Indenture Trustee or shall have been delivered to the Indenture Trustee for cancellation; or
- (3) such obligations shall have become due and payable at Maturity and funds sufficient for the payment of such Obligations (including interest to the date of Maturity or, in the case of a payment after Maturity, to the date of payment, together with any premium thereon) and available for such payment (whether as a result of payment pursuant to the Guarantees or otherwise) shall be held by the Indenture Trustee or any Paying Agent pursuant to Section 4.02 of Exhibit 1 to the Indenture (or shall have been so held and shall thereafter have been paid to the Shipowner pursuant to Section 4.03 of Exhibit 1 to the Indenture) in trust for the purpose or with irrevocable directions to it so to apply the same (whether or not the Obligations are to be paid at Stated Maturity or are to be redeemed prior to Stated Maturity), but, if said Obligations are to be redeemed, the required notice of redemption shall have been given (or provisions reasonably satisfactory to the Indenture Trustee therefor shall have been made);

provided, that this definition is subject to the provisions of Section 6.08 of Exhibit 1 to the Indenture.

"Secretary" means the Secretary of Transportation or any official or body from time to time duly authorized to perform the duties and functions of the Secretary of Transportation under Title XI (including the Maritime Administrator, the Acting Maritime Administrator, and, to the extent so authorized, the Deputy Maritime Administrator and other officials of the Maritime Administration).

"Secretary's Note" means the promissory note issued and delivered on the Obligation Closing Date by the Shipowner to the Secretary as described in the Security Agreement, and shall also mean any promissory note issued in substitution for and replacement thereof.

"Secretary's Notice" means a notice from the Secretary to the Indenture Trustee to the effect that (a) a default, within the meaning of Section 1105(b) of the Act, has occurred under a mortgage, loan agreement or other security agreement that has been entered into between the Secretary, the Shipowner and any other parties in order to protect the interests of the United States in connection with the Guarantees, (b) such notice is given for the purposes of Section 6.01(b) of Exhibit 1 to the Indenture in order to protect the security interests of the United States under such mortgage, loan agreement or other security agreement, and (c) the Guarantees will terminate upon the expiration of 60 days from the date of such notice if the Indenture Trustee and each Obligee shall have filed to demand payment of the Guarantees as provided in the Indenture, in the Guarantees or in the Act. Such notice shall be given (i) in writing, by registered mail, return receipt requested, deposited in the United States mails on the date of such notice and addressed to the Indenture Trustee, to the attention of a Responsible Officer in the Corporate Trust Office, in accordance with the Special Provisions of the Indenture, (ii) by collect telegram, telex, telecopy or other similar means of transmission, dispatched on such date and addressed to the Indenture Trustee, to the attention of a Responsible Officer in the Corporate Trust Office, as aforesaid, and (iii) by collect telephone call made on such date to a Responsible Officer of the Indenture Trustee in the Corporate Trust Office. A Secretary's Notice shall not be deemed to have been given unless it shall have been given in accordance with all the provisions of this definition, and the date of any Secretary's Notice shall be deemed to be on the date on which it is so given.

"Secured Notes" means the Secured Notes due December 31, 2000 issued on the Note Closing Date pursuant to the Security Agreement, unless the context shall otherwise require.

"Security" has the meaning specified in the Granting Clause of the Special Provisions of the Security Agreement.

"Security Agreement" means prior to the Note Closing Date the Security Agreement relating to the Vessels dated the Obligation Closing Date, from the Shipowner to the Secretary of Transportation, and on and after the Note Closing Date the Security Agreement relating to the Vessels between the Shipowner and the Loan Participant dated the Note Closing Date, as the same may be amended, modified or supplemented in accordance with the applicable provisions thereof.

"Security Default" means any of the events specified in Section 6.01 of Exhibit 1 to the Security Agreement.

"Settlement Date" means the Business Day designated by the Charterer by written notice occurring at least five days after the Charterer shall deliver the Settlement Date Certificate of Shipowner's Cost to the Shipowner, the Owner Participant and the Lender, provided that such date shall not occur later than December 31, 1981.

"Settlement Date Certificate of Shipowner's Cost" means a certificate of the Charterer substantially in the form of Exhibit G to the Participation Agreement, approved by the Shipowner, which shall set forth in reasonable detail (a) the amount of all items of Differential Shipowner's Cost and specifying to whom each such item is payable and attaching to such certificate an invoice, bill or similar document, if available, of each Person who is to be paid for such items and (b) the amount of the Owner Participant's investment and the Lender's loan to be made pursuant to Section 2(d) of the Participation Agreement.

"Shipbuilder" means Dravo Corporation, a Pennsylvania corporation, and its successors and assigns.

"Ship Mortgage Act" means the Ship Mortgage Act, 1920, as amended.

"Shipowner" means The Connecticut Bank and Trust Company, National Association, not in its individual capacity but solely as owner trustee under the Trust Agreement and, shall also include its successors and assigns.

"Shipowner's Cost" means, with respect to any Vessel, the aggregate of the Vessel Costs and Transaction Costs for such Vessel as set forth in the Delivery Date Certificate of Shipowner's Cost for such Vessel until delivery of the Settlement Date Certificate of Shipowner's Cost, and thereafter such aggregate plus Differential Shipowner's Cost for such Vessel as set forth in the Settlement Date Certificate of Shipowner's Cost until delivery of the Final Certificate of Shipowner's Cost, if any, and thereafter such aggregate plus Refinancing Cost for such Vessel as set forth in the Final Certificate of Shipowner's Cost.

"Shipowner's Documents" means all Principal Documents other than the Trust Agreement, the Construction Contract, Amendment No. 1, 2 or 3, as the case may be, to Title XI Reserve Fund Depository Agreement, the Restricted Title XI Reserve Fund Depository Agreement, the Authorization Agreement, the Guaranty and the Consent of Shipbuilder.

"Shipowner's Liens" means those Liens of the character required to be discharged by the Bank pursuant to Section 17 of

the Participation Agreement.

"Shipping Act" means the Shipping Act, 1916, as amended.

"Special Provisions" when used with respect to the Indenture, the Security Agreement or the Restricted Title XI Reserve Fund and Financial Agreement means the agreement exclusive of any Exhibits thereto.

"Special Depository Fund has the meaning specified in Section 2 of the Depository Agreement.

"Stated Maturity" means, when used with respect to any Secured Note or Refinancing Obligation, the date specified in such Secured Note or Refinancing Obligation as the fixed date on which the principal of such Secured Note or Refinancing Obligation is due and payable without regard to provisions for earlier maturity by acceleration.

"Stipulated Loss Value" means, with respect to a Vessel or a Cover, an amount determined by multiplying Shipowner's Cost for such Vessel or Cover by the appropriate percentage indicated in Schedule Two to the Charter opposite the applicable Charter Hire Payment Date (as such percentage may be adjusted pursuant to the terms of Section 23 of the Participation Agreement); provided however that anything herein to the contrary notwithstanding Stipulated Loss Value shall not be less than the Proportionate Part of the Secured Notes; provided further that the foregoing shall not be deemed a guarantee by the Charterer of the Secured Notes.

"Supplemental Hire" means all amounts which the Charterer agrees to pay to any of the Shipowner, the Owner Participant, the Lender, the Loan Participant or the Secretary pursuant to the Charter, the Participation Agreement or the Refinancing Agreement, including without limitation Stipulated Loss Value and Termination Value, but other than Basic Charter Hire.

"Termination Value" means, as of any Charter Hire Payment Date with respect to a Vessel or a Cover, an amount determined by multiplying the Shipowner's Cost of such Vessel or Cover by the appropriate percentage indicated in Schedule Two to the Charter (as such percentage may be adjusted pursuant to the terms of Section 23 of the Participation Agreement); provided, however, that anything herein to the contrary notwithstanding Termination Value shall not be less than the Proportionate Part of the Secured Notes; provided further that the foregoing shall not constitute a guarantee by the Charterer of the Secured Notes.

"Title XI" means Title XI of the Acts as in effect on the Obligation Closing Date.

"Title XI Obligations" means the Obligations.

"Title XI Reserve Fund and Financial Agreement" means the Title XI Reserve Fund and Financial Agreement dated January 31, 1978, Contract No. MA-8870, among the Secretary, the Charterer and the subsidiaries of the Charterer named therein, as amended by Amendment No. 1 to Title XI Reserve Fund and Financial Agreement, and as it may be further modified, amended or supplemented from time to time in accordance with the applicable provisions thereof.

"Transaction Costs" means and includes reasonable legal fees and disbursements of special counsel to the Charterer, the Shipowner, the Owner Participant, the Lender, the purchasers of the Refinancing Obligations and the Indenture Trustee, printing or duplicating expenses, reasonable debt placement fees and expenses incurred in connection with the issuance of the Refinancing Obligations, the investigation fee of the Maritime Administration described in §298.15 of 46 CFR 298, any commitment fee paid to the Lender or the purchasers of the Refinancing Obligations and all other similar transaction expenses contemplated by the Participation Agreement, but excluding any accounting fees, any costs of in-house counsel and any other Persons employed by the parties hereto, and any costs which with the consent of the Owner Participant are paid directly by the Charterer. Transaction Costs shall not include any items included in Vessels Costs. Transaction Costs shall be allocated equally among the Vessels.

"Treasury Regulations" means the federal income tax regulations issued under the Code.

"Trust Agreement" means the Trust Agreement, dated as of April 1, 1981, as amended by Trust Agreement Amendment No. 1, dated as of the Obligation Closing Date, between the Bank and the Owner Participant, Trust Agreement Amendment No. 2, dated the Note Closing Date, as the same may be modified, amended or supplemented from time to time in accordance with the applicable provisions thereof.

"Trust Estate" shall have the meaning assigned in Section 1.2 of the Trust Agreement.

"United States" means the United States of America.

"Vessel" means each of the box hopper barges named DM 2801 through DM 2820, Official Nos. 633859 through 633878,

delivered by the Shipbuilder and accepted by the Shipowner pursuant to the Construction Contract and simultaneously delivered by the Shipowner and accepted by the Charterer pursuant to the Charter, being of approximately 1223.97 gross tons and 1223 net tons and constructed in 1981 at Neville Island, Pennsylvania, together with all of its engines, boilers, machinery, masts, spars, boats, anchors, cables, chains, rigging, tackle, apparel, furniture, capstans, outfit, tools, pumps, pumping and other equipment or gear, furnishings, appliances, fittings and spare and replacement parts and all other appurtenances to said barge pertaining or belonging, including the Charterer-Furnished Equipment, if any, and the related Cover, whether now owned or hereafter acquired, whether on board or not on board, and also any and all additions, improvements and replacements hereafter made in or to said barge and Cover or any part thereof, or in or to her equipment and appurtenances aforesaid, and when used with respect to the Mortgage shall have the meaning specified in the Mortgage.

"Vessel Costs" means, with respect to any Vessel, an amount equal to the sum of (i) the amount paid or payable by the Shipowner to the Charterer to reimburse the Charterer for amounts paid by or on behalf of the Charterer under the Construction Contract or for Charterer-Furnished Equipment, plus (ii) the aggregate of all payments due from the Charterer to the Shipbuilder pursuant to the terms of the Construction Contract and to other Persons with regard to Charterer-Furnished Equipment, plus (iii) to the extent not included as a part of (i) or (ii) above, any appraisal fees, fees relating to documentation of the Vessels, costs of construction supervision, naval architects' and engineers' fees, interest on construction costs during the period of construction, and any delivery or other transportation charges and sales taxes, if and to the extent that any of the same are allowable as costs of new Section 38 property within the meaning of the Code.

**EXHIBIT 1 to
SECURITY AGREEMENT**

**General Provisions of
Security Agreement**

EXHIBIT 1

GENERAL PROVISIONS OF THE SECURITY AGREEMENT

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EXHIBIT 1

General Provisions Incorporated Into the
Security Agreement by Reference

ARTICLE I

Definitions; Officer's Certificates and
Opinions of Counsel

Section 1.01. Definitions. For all purposes of this Security Agreement, the terms used herein shall have the meanings specified in the Special Provisions hereof.

Section 1.02. Officer's Certificates and Opinions of Counsel. (a) Each Officer's Certificate or Opinion of Counsel with respect to compliance with a covenant or condition provided for in this Security Agreement (or waiver thereof) shall include:

(1) A statement that the Person making such certificate or rendering such opinion has read such covenant or condition;

(2) A brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificates or opinions are based;

(3) A statement that, in the opinion of such Person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with (or compliance therewith has been waived); and

(4) A statement as to whether or not, in the opinion of such Person, such condition or covenant has been complied with (or such compliance has been waived).

(b) An Opinion of Counsel may be based (insofar as it relates to factual matters, or to information which is in the possession of any Person) upon a certificate or opinion of or representations in writing signed by an officer or officers of such Person or by such Person and (insofar as it relates to matters required or permitted under this Security Agreement to be covered by a certificate or opinion of or representations by an appraiser, accountant, engineer or other expert) upon the certificate or opinion of or representations by such Person so acting, and may be based upon an Opinion of Counsel signed by another counsel.

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An Opinion of Counsel may state that said opinion is subject to the execution and delivery of designated instruments if copies of such instruments in form approved by such counsel are delivered to the Secretary prior to or concurrently with the delivery of said opinion.

(c) A certificate or opinion of a Person other than counsel may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless the Person signing such certificate or opinion knows that such Opinion of Counsel is erroneous or, in the exercise of reasonable care, should have known that the same was erroneous.

(d) If the Security Agreement, the Depository Agreement, if any, or the Mortgage requires or permits the execution of any document by officers, appraisers, accountants, engineers, experts, counsel or other Persons, such document may be executed in counterparts by different officers, appraisers, accountants, engineers, experts, counsel or other Persons, all of which shall form one instrument.

(e) If the signer of any document is required to be approved by the Secretary, the acceptance of such document by the Secretary shall be sufficient and conclusive evidence of such approval.

(f) If the delivery of any document is a condition precedent to any action required by this Security Agreement, the Mortgage or the Depository Agreement, (if any), such document may be withdrawn, revoked, rescinded, modified or amended at any time prior to such action, and, in the event of any such withdrawal, revocation or rescission, such document shall be disregarded for all purposes of this Security Agreement, the Mortgage or the Depository Agreement (if any).

ARTICLE II

Representations and Agreements
of the Shipowner

The Shipowner hereby represents and agrees, so long as this Security Agreement shall not have been discharged, as follows:

Section 2.01. Organization, Existence and Taxes of Shipowner. The Shipowner (i) if a corporation, is duly organized, validly existing and in good standing under the laws of the jurisdiction designated in the initial paragraph of the Special Provisions hereof, (ii) if acting as an owner trustee, is duly constituted and existing as a trustee pursuant to an owner trust

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agreement and in its individual capacity, is a banking corporation duly organized, validly existing and in good standing under the laws of the jurisdiction designated in the initial paragraph of the Special Provisions hereof, and (iii) in either case, except as provided in Article IX, shall maintain such corporate existence, and the Shipowner has paid or caused to be paid all taxes assessed against it, unless the same are being contested in good faith or an authorized extension of time has been granted.

Section 2.02. United States Citizenship of Shipowner. (a) The Shipowner is a citizen of the United States within the meaning of Section 2 of the Shipping Act, 1916, as amended, and shall remain such a citizen for operation in the trades in which the Shipowner proposes to operate the Vessels, or in the event the Shipowner shall cease to be such a citizen, the Shipowner shall notify the Secretary thereof as soon as it obtains knowledge of such fact.

(b) Within 30 days after the date of each annual meeting of its stockholders, or of any written consent in lieu thereof, the Shipowner shall submit to the Secretary supplemental proof to establish that it remains a citizen of the United States within the meaning of the foregoing paragraph (a).

Section 2.03. Authorization of Security Agreement, Obligations and Related Agreements. The execution and delivery of this Security Agreement, the Depository Agreement (if any), the Indenture, the Secretary's Note, and the Obligations have been duly authorized by the Shipowner and are not in contravention of any indenture, agreement or undertaking to which the Shipowner is a party or by which it is bound.

Section 2.04. (a) Title to and Possession of the Vessels. On the date of this Security Agreement the Shipowner lawfully owns each Vessel free from any lien whatsoever (subject to (i) the equity of the Shipbuilder under the Construction Contract, (ii) liens which the Shipbuilder is obligated to discharge under the Construction Contract, (iii) any pledge or assignment, subordinated to the interest of the Secretary hereunder, permitted under the Special Provisions hereof, and (iv) the rights of the Secretary hereunder) and shall for the Secretary's benefit, warrant and defend the title to, and cause the Charterer to warrant and defend title to, and possession of, each Vessel and every part thereof against the claims and demands of all Persons whomsoever arising during the Charter Period; and the Shipowner represents that the Charterer, for the benefit of the Secretary, has agreed in the Charter in accordance with the provisions thereof to warrant and defend the title to and possession of each Vessel and every part thereof against the

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claims and demands of all Persons whomsoever arising during the Charter Period; provided that (except during such period that such Vessel shall have been levied upon and taken into custody or detained in any proceeding in any court or tribunal or by any government or other authority [except in connection with takings or requisitions of the title or use of such Vessel by any government or governmental body] and not released) --

(1) The foregoing shall not apply:

(A) to liens for Crew's Wages and salvage (including contract salvage) which shall not have been due and payable (i) if prior to the Delivery Date of the respective Vessel, for 55 days, or (ii) if after the Delivery Date of the respective Vessel, for 10 days after termination of a voyage, or which, in either event, shall then be contested by the Shipowner or the Charterer in good faith;

(B) to liens for Crew's Wages, salvage (including contract salvage) and general average which are either unclaimed or covered by insurance;

(C) to liens incident to current operations (except for Crew's Wages, salvage and general average), liens for the wages of a stevedore when employed directly by the Shipowner, the Charterer or the operator, master or agent of any Vessel or to liens covered by insurance and any deductible applicable thereto;

(D) to liens for repairs or with respect to any changes made in any Vessel pursuant to paragraph (i) of this Section;

(E) to liens which shall, (i) on the Delivery Date, (if the date of execution and delivery of this Security Agreement is on or prior to the Delivery Date) have arisen incident to pre-delivery testing or in the ordinary course of business in furnishing, supplying and preparing any Vessel for operation or (ii) on the date of the execution and delivery of this Security Agreement, (if the Delivery Date is prior to the date hereof) have arisen in the ordinary course of operation of any Vessel and which shall, to the extent known to the Shipowner, be in an aggregate amount of not more than the amount specified in the Special Provisions hereof for such Vessel (exclusive of liens covered by insurance and any deductible applicable thereto and liens which the Shipbuilder is obligated to discharge under the Construction Contract);

(F) in the event the use or title of the respective Vessel is taken or requisitioned by any government or governmental body;

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(G) in the event of an actual or constructive total loss or an agreed or compromised total loss of the respective Vessel; or

(H) to mortgages to the extent permitted by paragraph (b) of this Section;

provided that the liens stated to be permitted by the foregoing subparagraphs (A) through (D) shall, unless they constitute a lien for damages arising out of tort, for wages of a stevedore when employed directly by the Shipowner, the Charterer, or the operator, master, or agent of the respective Vessel, for Crew's Wages, for general average, or for salvage (including contract salvage), be permitted only to the extent they are liens subordinate to the lien of the Security; and

(2) The foregoing, insofar as it relates to the possession of a Vessel, shall not apply to sales, transfers and charters permitted by paragraph (b) of this Section.

(b) Sale, Mortgage, Transfer or Charter of the Vessels. The Shipowner shall not, without the prior written consent of the Secretary, sell, mortgage, demise charter or transfer any Vessel, or charter any Vessel to an Affiliate under any form of charter, except the foregoing shall not apply to (i) the Charter, (ii) takings, or requisitions of the title or use of any Vessel by any government or governmental body, (iii) mergers or consolidations permitted by Article IX, or (iv) demise charters approved by the Secretary in writing.

(c) Taxes and Governmental Charges. The Shipowner shall pay and discharge, or cause to be paid and discharged, on or before the same shall become delinquent, all taxes, assessments, government charges, fines and penalties lawfully imposed upon each Vessel, unless the same are being contested in good faith.

(d) Liens. (1) As a condition precedent to each payment by the Shipowner under the Construction Contract, the Shipowner shall require evidence from the Shipbuilder showing that there are no liens or rights in rem against the respective Vessel prohibited by the Construction Contract. After the Delivery Date of each Vessel, the Shipowner shall forthwith satisfy, or cause to be satisfied, within 30 days of its knowledge thereof, any lien or encumbrance which shall be filed against such Vessel unless the same is being contested in good faith; and

(2) Neither the Shipowner, any charterer, the master of the Vessel, nor any other Person has or shall have any right, power or authority, without the prior written consent of the Secretary, to create, incur or permit to be placed or imposed on any Vessel

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any lien whatsoever, other than (A) the Mortgage, (B) the Charter, and (C) liens permitted upon and after the Delivery Date of such Vessel by paragraph (a) of this Section. The Secretary hereby consents to other liens incident to current operations, but only to the extent that they are subordinate to the Mortgage.

(e) Documentation of the Vessels. The Shipowner represents that the Charterer has agreed in the Charter to maintain the documentation of each Vessel, upon and after its respective Delivery Date, in the Shipowner's name under the laws and flag of the United States in accordance with the terms of the Charter. The Shipowner agrees to execute such documents and furnish such information as the Charterer may reasonably require to enable the Charterer to maintain such documentation.

(f) Compliance with Applicable Laws, etc. Each Vessel (1) is designated to meet, and on the Delivery Date thereof and at all times thereafter shall meet (unless otherwise required by any military authority of the United States and except during such period as (A) the use or title of such Vessel has been taken, or requisitioned by any government or governmental body as contemplated by paragraph (b) of this Section, (B) there has been an actual or constructive total loss or an agreed or compromised total loss of such Vessel, or (C) there has been any other loss with respect to such Vessel and the Shipowner shall not have had a reasonable time to repair the same), all requirements of applicable laws, treaties and conventions, and of applicable rules and regulations thereunder, and the Shipowner shall not consent to any change in the Construction Contract which releases the Shipbuilder from its obligation to comply with such requirements, except to the extent that, with the prior written consent of the Secretary, such requirements shall then be contested in good faith by the Shipowner, and (2) shall have on board, as and when required thereby, valid certificates showing compliance therewith.

(g) Operation of the Vessels. The Shipowner shall not (unless otherwise required by any military authority of the United States and except during such period as the use or title of any Vessel has been taken or requisitioned by any government or governmental body as contemplated by paragraph (b) of this Section) (1) cause or permit the vessels to be operated in any manner contrary to law or contrary to any lawful rules or regulations of the Maritime Administration, (2) remove or attempt to remove the vessels beyond the limits of the United States (except with the prior written consent of the Secretary) save on voyages with the intention of returning to the United States, or (3) unless there has been an actual or constructive total loss or an agreed or compromised total loss of any of the Vessels, abandon such Vessel in any foreign port.

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(h) Condition and Maintenance of the Vessels. Each Vessel, shall on her Delivery Date, meet all requirements to entitle her to the highest classification and rating for vessels of the same age and type in the American Bureau of Shipping.

The Shipowner shall at all times (unless otherwise required by any military authority of the United States and except during such period as (1) the use or title of any Vessel has been taken or requisitioned by any government or governmental body as contemplated by paragraph (L) of this Section, (2) there has been an actual or constructive total loss or an agreed or compromised total loss of such Vessel, or (3) there has been any other loss with respect to such Vessel and the Shipowner shall not have had a reasonable time to repair the same) after the respective Delivery Date, (A) at its own cost and expense, maintain and preserve each Vessel, so far as may be practicable, in at least as good order and condition, ordinary wear and tear excepted, as at the Delivery Date, and (B) except with the express permission of the Maritime Administration during any idle or inactive period, keep each Vessel in such condition as will entitle her to retain the highest classification and rating for vessels of the same age and type in the American Bureau of Shipping (or other classification society of like standing if the requirements of the American Bureau of Shipping shall not be applicable).

The Shipowner shall, on the Delivery Date, furnish to the Secretary an Interim Classification Certificate for each Vessel issued by the American Bureau of Shipping (or other classification society of like standing if the requirements of the American Bureau of Shipping shall not be applicable) and promptly after the Delivery Date, furnish to the Secretary a Certificate of Classification issued by the American Bureau of Shipping (or such other classification society). During each calendar year after the year in which the Delivery Date occurs (unless any military authority of the United States requires that the above-mentioned classification and rating not be retained and except during periods as aforesaid) the Shipowner shall (1) furnish to the Secretary a Certificate of Confirmation of Class issued by the American Bureau of Shipping (or such other classification society) showing that the above-mentioned classification and rating have been retained for each Vessel and (2) furnish to the Secretary copies of all American Bureau of Shipping reports on annual, other periodical and damage surveys for each Vessel.

(i) Material Changes in the Vessels. After the Delivery Date of any vessel, the Shipowner shall not make, or permit to be made, or give its consent to anyone to make, any material changes in the structure, means of propulsion, type or speed of such

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Vessel or in her rig, unless it shall have received the Secretary's prior written consent thereto.

Section 2.05. Maintenance of Construction Contract, etc.
The Construction Contract (insofar as it relates to the respective Vessel) and the Charter shall be maintained in full force and effect insofar as it relates to the due performance by the Shipowner of all its obligations thereunder and the Shipowner shall not, without the prior consent of the Secretary, amend, modify or terminate the Construction Contract or consent to any change in the Construction Contract which releases the Shipbuilder from its obligations to comply with all applicable laws, treaties, conventions, rules and regulations, except to the extent that, with the prior written consent of the Secretary, such requirements are being contested in good faith by the Shipowner or the Charterer. The Shipowner shall give the Secretary notice of the occurrence of any event which constitutes an Event of Default under the Charter, or which would, with the passage of time or giving of notice or both, constitute an Event of Default, promptly after it has Actual Knowledge of such event.

Section 2.06. Execution and Delivery of the Mortgage. On the Delivery Date of each Vessel, the Shipowner shall (i) execute and deliver to the Secretary the Mortgage (or, if appropriate, a Mortgage Supplement) in the form required by the Granting Clause of the Special Provisions hereof, (ii) record or cause to be recorded the Mortgage (or, if appropriate, a Mortgage Supplement) in the office of the United States Coast Guard, or its successor, at the home port of the delivered Vessel and endorse the same upon each such Vessel's document (or shall make due provision for said endorsement) and (iii) deliver to the Secretary an opinion of its counsel in substantially the form annexed hereto as Exhibit B to the form of the Mortgage (except that said form of opinion may be appropriately revised in the event the Mortgage [or, if appropriate, a Mortgage Supplement] shall not at such time have been endorsed on the document of such Vessel but the Shipowner shall have made due provision therefor).

Section 2.07. Insurance. (a) Prior to the Delivery Date of each Vessel, the Shipowner shall, without cost to the Secretary or, with respect to war risk builder's risk insurance mentioned below, without cost to the Shipbuilder, cause each Vessel to be insured as provided in the Construction Contract and as contemplated by any consent of the Shipbuilder; provided that, the insurance required by this paragraph (a) shall be approved by the Secretary.

(b) Upon the Delivery Date of each Vessel and at all times thereafter, the Shipowner or the Charterer shall, without cost to the Secretary, keep such Vessel insured as indicated below and

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with such additional insurance as may be specified by the Secretary in an amount in dollars (in any coin or currency of the United States which at the time of the policy in question is legal tender for public and private debts) at least equal to 110% of the unpaid principal amount of the Proportionate Outstanding Obligations, or such greater sum, up to and including the full commercial value of such Vessel as may be required by the Secretary by, except in the case of the insurance required on the Delivery Date, at least 30 days' written notice (15 days' written notice in the case of war risk insurance, if any) to the Shipowner prior to the end of any policy period:

(1) Marine and war risk hull insurance under the latest (at the time of issue of the policies in question) forms of American Institute of Marine Underwriters' policies approved by the Secretary and/or policies issued by or for the Maritime Administration (or under such other forms of policies as the Secretary may approve in writing) insuring such Vessel against the usual risks covered by such forms (including, at the option of the Shipowner or the Charterer, such amounts of increased value and other forms of "total loss only" insurance as are permitted by said hull insurance policies); and

(2) While any Vessel is laid up, at the option of the Shipowner or the Charterer and in lieu of the above-mentioned marine and war risk hull or marine and war risk hull and increased value insurance, per risk insurance under the latest (at the time of issue of the policies in question) forms of American Institute of Marine Underwriters' policies approved by the Secretary and/or policies issued by or for the Maritime Administration (or under such other forms of policies as the Secretary may approve in writing) insuring such Vessel against the usual risks covered by such forms.

Irrespective of the foregoing, the Shipowner or the Charterer, with the prior written consent of the Secretary, shall have the right to self-insure up to the amount specified in the Special Provisions hereof for any loss resulting from any one accident or occurrence (other than an actual or constructive total loss of any Vessel).

(c) All policies of insurance under this Section shall provide, so long as this Security Agreement has not been discharged, that payment of all losses shall be made payable to the Secretary for distribution by him to himself, the Shipowner, the Charterer, and (in the case of the insurance required by paragraph (a) of this Section) the Shipbuilder, except that (i) as provided in paragraph (e) of this Section and (ii) under the policies required by paragraph (b) of this Section, payment of

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all losses up to the amount specified in the Special Provisions hereof by all insurance underwriters with respect to any one accident, occurrence or event may be made directly to the Shipowner or the Charterer.

Any such insurance recoveries to which the Secretary shall be so entitled shall be applied as follows:

(1) In the event that insurance becomes payable under said policies on account of an accident, occurrence or event not resulting in an actual or constructive total loss or an agreed or compromised total loss of any Vessel, the Secretary shall (A) if there is no existing Default and if none of the events described in Section 2.09 has occurred, in accordance with a Request of the Shipowner or the Charterer, pay, or consent that the underwriters pay, direct for repairs, liabilities, salvage claims or other charges and expenses (including sue and labor charges due or paid by the Shipowner or the Charterer) covered by the policies, or (to the extent that, as stated in an Officer's Certificate delivered to the Secretary, accompanied by written confirmation by the underwriter or a surveyor or adjuster, the damage shall have been repaired and the cost thereof paid or such liabilities, salvage claims, or other charges and expenses discharged or paid) reimburse, or consent that the underwriters reimburse, the Shipowner or the Charterer therefor and (after all known damage with respect to the particular loss shall have been repaired, except to the extent the Shipowner or the Charterer, with the written consent of the Secretary, deems the said repair inadvisable, and all known costs, liabilities, salvage claims, charges and expenses, covered by the policies, with respect to such loss shall have been discharged or paid, as stated in an Officer's Certificate delivered to the Secretary, accompanied by written confirmation by the underwriter or a surveyor or adjuster) pay, or consent that the underwriters pay, any balance to the Shipowner or the Charterer, or (B) if there is an existing Default, in accordance with a Request of the Shipowner or the Charterer, pay, or consent that the underwriters pay, direct for the Shipowner's proportion of such repairs, liabilities, salvage claims or other charges and expenses (including sue and labor charges due or paid by the Shipowner or the Charterer) covered by the policies and hold any balance until the same may be paid or applied under clause (A), (C) or (D) of this subparagraph (1), whichever is applicable, or (C) if the Guarantees shall have terminated pursuant to Section 3.05(3) and none of the events described in Section 2.09 has occurred, apply the insurance as provided in Section 6.05, or (D) if the Guarantees shall have terminated pursuant to

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Section 3.05(2) or (4), pay the insurance to the Shipowner or the Charterer;

(2) In the event of an accident, occurrence or event resulting in an actual or constructive total loss of any Vessel prior to the Delivery Date of such Vessel, the Shipowner or the Charterer shall forthwith deposit with the Secretary any insurance moneys which the Shipowner or the Charterer receives on account thereof under policies of insurance required by paragraph (a) of this Section, and any such insurance moneys shall be held by the Secretary for 10 days (or such lesser or further time as the Shipowner and the Secretary may agree upon). Upon the expiration of said period of time, (A) if there is no existing Default and if the Shipowner, the Shipbuilder and the Secretary shall have elected not to construct such Vessel under the Construction Contract, then said insurance moneys shall be applied, to the extent necessary and required pursuant to Section 2.09, or (B) if there is no existing Default and if the Shipowner, the Shipbuilder and the Secretary shall not have made the election contemplated by the foregoing clause (A) of this subparagraph (2), then said insurance moneys (together with the funds of the Shipowner to the extent, if any, required by the Secretary for deposit on account of interest under clause (ii) below) shall be deposited in the Escrow Fund, in such amount and to the extent available, so that the moneys in the Escrow Fund after such deposit shall be equal to (i) the principal amount of the Proportionate Outstanding Obligations relating to such Vessel at the time of such deposit and (ii) such interest on said deposit, if any, as may be required by the Secretary (said moneys to be subject to withdrawal in the same manner as moneys originally deposited in said Escrow Fund); and the balance, if any, of such insurance moneys held by the secretary shall be paid to the Shipowner; and

(3) In the event of an accident, occurrence or event resulting in an actual or constructive total loss or an agreed or compromised total loss of any Vessel whether prior to or after the Delivery Date of such Vessel and the insurance moneys have not been applied as provided in subparagraph (2) of this paragraph (c), the Shipowner or the Charterer shall forthwith deposit with the Secretary any insurance moneys which the Shipowner or the Charterer receives on account thereof under policies of insurance required by this Section, and any such insurance moneys received by the Secretary, whether from the Shipowner or otherwise, or held by the Secretary pursuant to subparagraph (2) above, shall (A) if there is no existing Default, be applied to the extent necessary, pursuant to Section 2.09, or (B) if there is an existing Default, be held until the same

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may be applied under clause (A), (C) or (D) of this subparagraph (3), whichever is applicable, or (C) if the Guarantees shall have terminated pursuant to Section 3.05(3), be applied as provided in Section 6.05; provided that, irrespective of the foregoing, neither the Shipowner nor the Charterer shall be required to so deposit with the Secretary insurance moneys in an amount which, together with funds otherwise available for the redemption of Obligations, is in excess of that required for the redemption of the Proportionate Outstanding Obligations pursuant to Section 3.05 of Exhibit 1 to the Indenture and for the payment to the Secretary of all other sums that may be secured by this Security Agreement and the Mortgage, or (D) if the Guarantees shall have terminated pursuant to Section 3.05(2) or (4), be paid to the Shipowner.

(d) In the event of an accident, occurrence or event resulting in a constructive total loss of any Vessel, the Secretary shall have the right (with the prior written consent of the Shipowner and the Charterer, unless there is an existing Default, and at any time prior to the Delivery Date of such Vessel also with the prior written consent of the Shipbuilder) to claim for a constructive total loss of such Vessel, and, if both (1) such claim is accepted by all underwriters under all policies then in force as to such Vessel under which payment is due for total loss and (2) payment in full is made in cash under such policies, then the Secretary shall have the right to abandon such Vessel to the underwriters under such policies, free from the lien of this Security Agreement and the Mortgage.

(e) Commencing on the Delivery Date of each Vessel, the Shipowner or the Charterer shall, without cost to the Secretary keep each such Vessel insured against marine and war protection and indemnity risks and liabilities by policies of insurance approved by the Secretary as to form and amount; provided that, (1) the Shipowner or the Charterer shall, as soon as possible after such Delivery Date, present any such policy to the Secretary (who shall promptly approve or disapprove the same), (2) any approval of a policy under this paragraph (e) shall be effective until the end of the policy period or until 60 days after the Secretary shall notify the Shipowner and the Charterer of a desired change in the form and/or amount thereof, whichever shall first occur, and (3) war protection and indemnity insurance shall be required unless written notice stating such insurance is not required is given by the Secretary to the Shipowner and the Charterer.

Such policies may provide that (1) if the Shipowner or the Charterer shall not have incurred the loss, damage, or expense in question, any loss under such insurance may be paid directly to

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the Person to whom any liability covered by such policies has been incurred (whether or not a Default then exists), and (2) if the Shipowner or the Charterer shall have incurred the loss, damage or expense in question, any such loss shall be paid to the Shipowner or the Charterer in reimbursement if there is no existing Default of which the underwriter has written notice from the Shipowner or the Secretary, or, if there is such an existing Default, to the Secretary to be held and applied as follows: (A) applied as provided in Section 6.05 in the event the Guarantees shall have terminated pursuant to Section 3.05(3), or (B) to the extent not theretofore applied pursuant to Section 6.05, paid forthwith to the Shipowner or the Charterer upon its Request in the event there is no existing Default or the Guarantees shall have terminated pursuant to Section 3.05(2) or (4) at the date of the delivery of such Request; provided that, irrespective of the foregoing, with the prior written consent of the Secretary, the Shipowner or the Charterer shall have the right to self-insure in an amount up to the limit specified in the Special Provisions hereof with respect to each accident, occurrence or event, except that, with respect to cargo or property carried, the Shipowner or the Charterer, with the prior written consent of the Secretary, shall have the right to self-insure in an amount up to the limit specified in the Special Provisions hereof with respect to each cargo or property carried.

(f) All insurance required under this Section shall be placed and kept with the United States government or with American and/or British (and/or other foreign, if permitted by the Secretary in writing by notice furnished to the Shipowner and the Charterer) insurance companies, underwriters' associations or underwriting funds approved by the Secretary of Commerce. All insurance required under this Section shall be arranged through marine insurance brokers and/or underwriting agents as may be selected by the Shipowner and/or the Charterer and approved by the Secretary.

(g) The Secretary shall not have the right to enter into an agreement or compromise providing for an agreed or compromised total loss of any Vessel without the prior written consent of (i) the Shipbuilder (prior to the Delivery Date of such Vessel) and (ii) (unless there is an existing Default) the Shipowner and the Charterer. If (1) the Shipowner and the Charterer shall have given prior consent thereto or (2) there is an existing Default, the Secretary shall have the right in his discretion, and with the prior written consent of the Shipbuilder prior to the Delivery Date of such Vessel, to enter into an agreement or compromise providing for an agreed or compromised total loss of such Vessel; provided that, if the aggregate amount payable to the Shipowner and/or the Secretary under such agreement or compromise, together with funds held by the Secretary and

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available for the redemption of Obligations, is not sufficient to redeem or pay the Proportionate Outstanding Obligations pursuant to Section 2.09, the Secretary shall not enter into such agreement or compromise without the prior written consent of the Shipowner and the Charterer.

(h) During the continuance of (1) a taking or requisition of the use of any Vessel by any government or governmental body, or (2) a charter, with the prior written consent of the Secretary of the use of any Vessel by the United States Government or by any governmental body of the United States, or by any other government or governmental body, the provisions of this Section shall be deemed to have been complied with in all respects if such government or governmental body shall have agreed to reimburse, in a manner approved by the Secretary in writing, the Shipowner or the Charterer for loss or damage covered by the insurance required hereunder or resulting from the risks indicated in paragraphs (a), (b) and (e) of this Section or if the Shipowner or the Charterer shall be entitled to just compensation therefor. In addition, the provisions of this Section shall be deemed to have been complied with in all respects during any period after (A) title to any Vessel shall have been taken or requisitioned by any government or governmental body or (B) there shall have been an actual or constructive total loss or an agreed or compromised total loss of any Vessel. In the event of any taking, requisition, charter or loss contemplated by this paragraph, the Shipowner or the Charterer shall promptly furnish to the Secretary an Officer's Certificate stating that such taking, requisition, charter or loss has occurred and, if there shall have been a taking, requisition or charter of the use of any Vessel, that the government or governmental body in question has agreed to reimburse the Shipowner or the Charterer, in a manner approved by the Secretary in writing, for loss or damage resulting from the risks indicated in the above-mentioned paragraphs (a), (b) and (e) of this Section or that the Shipowner or the Charterer is entitled to just compensation therefor.

(1) All insurance required (A) under paragraph (a) of this Section shall be taken out in the names of the Shipowner, the United States and the Shipbuilder as assureds, and (B) under paragraphs (b) and (e) of this Section shall be taken out in the names of the Shipowner, the Charterer and the United States as assureds. All policies for such insurance so taken out shall, unless otherwise consented to by the Secretary, provide that (1) there shall be no recourse against the United States for the payment of premiums or commissions, (2) if such policies provide for the payment of club calls, assessments or advances, there shall be no recourse against the United States for the payment thereof, and (3) at least 10 days' prior written notice of any

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cancellation for the non-payment of premiums, commissions, club calls, assessments or advances shall be given to the Secretary by the insurance underwriters.

(j) The Shipowner shall not, without the prior written consent of the Secretary, (1) do any act, nor voluntarily suffer nor permit any act to be done, whereby any insurance required by this Section shall or may be suspended, impaired or defeated or (2) suffer or permit any Vessel to engage in any voyage or to carry any cargo not permitted under the policies of insurance then in effect without first covering such Vessel with insurance satisfactory in all respects for such voyage or the carriage of such cargo; provided that, this paragraph shall be subject to the requirements of any military authority of the United States and shall not apply in the case of such Vessel if and so long as the title or use of such Vessel shall have been taken, requisitioned or chartered by any government or governmental body as contemplated by Section 2.09.

(k) In the event that any claim or lien is asserted against any Vessel for loss, damage or expense which is covered by insurance hereunder and it is necessary for the Shipowner or the Charterer to obtain a bond or supply other security to prevent arrest of such Vessel or to release such Vessel from arrest on account of said claim or lien, the Secretary, on Request of the Shipowner or the Charterer, may, at the sole option of the Secretary, assign, to any Person executing a surety or guaranty bond or other agreement to save or release such Vessel from such arrest, all right, title and interest of the Secretary in and to said insurance covering such loss, damage or expense as collateral security to indemnify against liability under said bond or other agreement.

(l) Except as the Secretary shall otherwise direct by notice in writing to the Shipowner and the Charterer, the Shipowner or the Charterer shall deliver to the Secretary the original policies evidencing insurance maintained under this Section; provided that, if any such original policy shall have been delivered previously to the Secretary or to a mortgagee by the Shipowner or the Charterer under another ship mortgage of the Shipowner or the Charterer, the Shipowner or the Charterer shall deliver a duplicate or pro forma copy of such policy to the Secretary. The Secretary or any agent thereof (who may also be an agent of the issuer) shall at all times hold the policies delivered as aforesaid; provided that, if one or more of said policies are held by an agent of the Secretary, the Shipowner or the Charterer shall, upon request of the Secretary, deliver a duplicate or pro forma copy thereof to the Secretary and provided further that, if the Shipowner or the Charterer shall deliver to the Secretary a Request (1) stating that delivery of any such

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policy to the insurer is necessary in connection with the collection, enforcement or settlement of any claim thereunder (including claims for return premiums and any other amounts payable by the insurer) and (2) setting forth the name and address of the Person to whom such policy is to be delivered or mailed for such purpose, and if the Secretary approves such Request, the Secretary shall, at the expense of the Shipowner or the Charterer, deliver or mail (by registered or certified mail, postage prepaid) such policy in accordance with such Request, accompanied by a written direction to the recipient to redeliver such policy directly to the Secretary or an agent thereof when it has served the purpose for which so delivered. The Shipowner agrees that, in case it or the Charterer shall at any time so cause the delivery or mailing of any policy to any Person as aforesaid, the Shipowner will cause such policy to be promptly redelivered to the Secretary or an agent thereof as aforesaid. The Secretary shall have no duty to see to the redelivery of such policy, but shall have the duty to request the redelivery thereof at intervals of 60 days thereafter.

(m) Nothing in this Section shall limit the insurance coverage which the United States may require pursuant to any contract or agreement to which the United States and the Shipowner are parties.

The requirements of this Section 2.07 are expressly subject to the Special Provisions of this Security Agreement.

Section 2.08. Inspection of the Vessels; Examination of Shipowner's Records. The Shipowner will (i) not interfere with or frustrate the right of the Secretary under the Charter to have access to the Vessels, their cargoes and papers for the purpose of inspecting the same and (ii) at reasonable times permit the Secretary, upon request, to make reasonable, material and pertinent examination and audit of books, records and accounts maintained by the Shipowner (of the owner trust, if the Shipowner is an owner trustee) and to take information therefrom and make transcripts or copies thereof; but, in each instance, only to the extent the Secretary may reasonably deem necessary or appropriate in connection with the performance of his duties and functions under the Act and in connection with the agreements of the Shipowner hereunder.

Section 2.09. Requisition of Title, Termination of Construction Contract or Total Loss of the Vessels. In the event, as to any Vessel, of (A) requisition of title to or seizure or forfeiture of such Vessel, (B) termination of the Construction Contract relating to such Vessel pursuant to the provisions thereof unless the Shipowner shall elect, with the prior written consent of the Secretary, to have such Vessel completed, or (C)

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the occurrence of the circumstances referred to in Section 2.07(c) (3) if there shall have been an accident, occurrence or event resulting in an actual or constructive total loss or an agreed or compromised total loss of such Vessel--

(1) The Shipowner shall promptly give written notice thereof to the Secretary;

(2) The Shipowner shall (subject to the consent or approval of the Secretary and/or the Maritime Administration if and to the extent they have jurisdiction) promptly pay all amounts it receives by reason of such requisition, seizure, forfeiture, termination or total loss to the Secretary; and

(3) After all amounts which are reasonably expected to be received by the Secretary in connection with any such requisition, seizure, forfeiture, termination or total loss (whether from the Shipowner pursuant to the foregoing subparagraph (2), from a government or governmental body, or otherwise) shall have been received by the Secretary (A) if there is no existing Default, the aforementioned amounts shall be applied by the Secretary as follows, (i) the Secretary and the Shipowner shall give notice to the Indenture Trustee of a redemption of the Proportionate Outstanding Obligations pursuant to Section 3.05 of Exhibit 1 to the Indenture, (ii) such amounts, if any, held by the Secretary shall be paid by the Secretary to the Indenture Trustee not earlier than 10 days prior to, nor later than the opening of business on, the Redemption Date required by Section 3.05 of Exhibit 1 to the Indenture and (iii) the remainder shall next be applied by the Secretary for the payment of the Proportionate Part of all other sums that may be secured hereby, and (iv) the balance, if any, shall be paid to the Shipowner, or (B) if there is an existing Default and the Guarantees shall not have terminated pursuant to Section 3.05, such amounts shall be held until the same may be applied or paid under clause (A), (C) or (D) of this subparagraph (3), whichever is applicable, or (C) if the Guarantees shall have terminated pursuant to Section 3.05(3), such amounts shall be applied as provided in Section 6.05, or (D) if the guarantees shall have terminated pursuant to Section 3.05(2) or (4), such amounts shall be paid by the Secretary to the Shipowner;

provided that, irrespective of the foregoing, (i) the Shipowner shall not be required to pay to the Secretary pursuant to the foregoing subparagraph (2) an amount which, together with funds held by the Secretary and the Indenture Trustee and available for the redemption of Obligations, is in excess of that required for the redemption of the Proportionate Outstanding Obligations

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pursuant to Section 3.05 of Exhibit 1 to the Indenture, and for the payment to the Secretary of a Proportionate Part of all other sums that may be secured hereby, and (ii) if the Shipowner considers the amount tendered to the Shipowner on account of any such requisition, seizure, forfeiture, termination or total loss to be unsatisfactory, the Shipowner shall have the right to contest the same by judicial or other proceedings (irrespective of the applicability of provisions of the same general character as those contained in Section 902 of the Act).

Section 2.10. Annual Financial Statements and No Default Certificate. (a) The accounts of the Shipowner shall be audited annually in accordance with generally accepted accounting standards. Within 120 days after the end of each fiscal year of the Shipowner, commencing with the end of the fiscal year first occurring after the date hereof, the Shipowner shall furnish to the Secretary, in duplicate, a balance sheet of the Shipowner for such fiscal year and a statement of receipts and disbursements for such fiscal year, accompanied by an Officer's Certificate stating that the same is true and correct.

(b) Within 120 days after the end of each fiscal year of the Shipowner, the Shipowner shall furnish to the Secretary an Officer's Certificate dated as of the close of such fiscal year stating whether or not, to the knowledge of the signers, the Shipowner is in default in the performance of or compliance with any covenant, agreement or condition contained herein and in the Mortgage and, if so, specifying each such default of which the signers may have knowledge and stating the nature thereof.

Section 2.11. Compliance with Ship Mortgage Act. The Shipowner shall comply with and satisfy all of the provisions of the Ship Mortgage Act, 1920, as amended, in order to establish, after the execution and delivery of the Mortgage (or, if appropriate, a Mortgage Supplement), and thereafter to maintain, the Mortgage as a preferred mortgage thereunder upon each Vessel. The Shipowner represents that the Charterer has agreed in the Charter that the Charterer will request the Shipowner to take all action which in its opinion is necessary in order so to establish and maintain the Mortgage as a preferred mortgage.

Section 2.12. Notice of Mortgage. A properly certified copy of the Mortgage, any supplement to the Mortgage, and any assignment of the Mortgage, shall be carried on board each Vessel with such Vessel's documents and shall be exhibited, on demand, to any Person having business with the Vessel or to any representative of the Secretary.

The Shipowner represents that the Charterer has agreed in the Charter that a notice, reading as provided in the Special

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Provisions hereof (or containing such other information as may be approved by the Secretary), printed in plain type of such size that the paragraph of reading matter shall cover a space not less than six inches wide by nine inches high, and framed, shall (together with a notice of any assignment of the Mortgage) be placed and kept prominently exhibited in the chart room and in the Master's cabin of each Vessel.

The provisions of this Section shall not apply until a reasonable time after the recordation of the Mortgage.

Section 2.13. Payment of Principal of and Interest on the Obligations. The Shipowner shall duly and punctually pay the principal of and interest on the Outstanding Obligations (and the corresponding Secretary's Note), when the same shall become due and payable, whether by reason of Maturity, redemption or otherwise, in accordance with the terms of the Obligations, the Secretary's Note and the Indenture.

Section 2.14. Performance of Shipowner's Agreements by the Secretary. If the Shipowner shall fail to perform any of its agreements hereunder or under the Mortgage, or if the Charterer shall fail to perform any of its agreements under the Charter, the Secretary may, in his discretion, at any time during the continuance of a Default, do all acts and make all necessary expenditures to remedy such failure. Notwithstanding the foregoing, the Secretary shall not be obligated to (and shall not be liable for his failure to) do such acts and make such expenditures.

All funds advanced and expenses and damages incurred by the Secretary in connection with any such compliance, together with interest at the highest rate borne by the Outstanding Obligations (excluding interest on overdue principal), shall constitute a debt due from the Shipowner to the Secretary and shall be secured hereunder and under the Mortgage prior to the Secretary's Note and shall be repaid by the Shipowner upon demand.

Section 2.15. Uniform Commercial Code Filings; Further Assurances. The Shipowner shall (i) furnish evidence satisfactory to the Secretary that financing statements under the Uniform Commercial Code shall have been filed against the Shipowner and the Shipbuilder in all offices in which it may be necessary or advisable in the opinion of the Secretary to perfect its security interest, and (ii) from time to time execute and deliver such further instruments and take such action as may reasonably be required more effectively to subject the Security to the lien of this Security Agreement and the Mortgage as contemplated thereby.

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ARTICLE III

**The Secretary's Guarantees; Guarantee Fees;
and the Secretary's Note**

Section 3.01. Delivery of Obligations. Prior to the issuance of the Obligations, the Secretary and the Indenture Trustee shall enter into the Authorization Agreement, annexed as Exhibit 3 to the Indenture, pursuant to which the Secretary shall authorize the Indenture Trustee to authenticate and deliver the guarantees imprinted on the Obligations in accordance with such terms and conditions as are prescribed in the Authorization Agreement.

Section 3.02. Title XI Guarantee Fee. (a) The Guarantee Fee, (i) for annual periods beginning with the date hereof and prior to the Delivery Date of each Vessel, shall be at a rate of not less than 1/4 of 1% per annum and not more than 1/2 of 1% per annum of the excess of the average principal amount of the Proportionate Outstanding Obligations during the annual period covered by said Guarantee Fee over the average amount (except interest) on deposit in the Escrow Fund in respect of such Vessel during said annual period (such excess for any such annual period covered being herein called the "Average Proportionate Principal Amount of Obligations Outstanding"), and (ii) for annual periods beginning with the Delivery Date of each Vessel, shall be at a rate of not less than 1/2 of 1% per annum and not more than 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual periods covered by said Guarantee Fee.

(b) The Guarantee Fee shall be based on a ratio of the Charterer's net worth (the "Net Worth" or "Owner's Equity") to the Charterer's long term debt (the "Long Term Debt"), as hereinafter stated, with such adjustment in Net Worth and Long Term Debt as the Secretary, in his sole discretion, may determine to be necessary to reflect the original principal amount of the Obligations and any additional Net Worth which the Secretary, in his discretion, may require. The Guarantee Fee shall be subject to annual redetermination by the Secretary prior to the annual period covered by said Guarantee Fee on the basis of the ratio of Net Worth to Long Term Debt, as hereinafter stated, and the Secretary, in the event of any change in the rate of the Guarantee Fee, shall promptly give written notice to the Shipowner specifying the Guarantee Fee for such annual period. Net Worth and Long Term Debt shall be (i) based on information contained in the Owner's Equity and Long Term Debt sections, respectively, in Schedule 200 of M.A. Form 172 (or similar information contained in such other form or statement required by the Secretary to be filed by the Charterer), required by the

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Secretary to be filed by the Charterer with the Secretary next prior to the date on which the Guarantee Fee is to be paid by the Shipowner (the "Latest Schedule"), or (ii) computed in accordance with General Order 22 (Revised), as amended or hereafter amended (46 CFR, Part 282) (or other order or directive in lieu of said General Order 22, as determined by the Secretary), in the event that the Latest Schedule (whether or not required) has not been filed by the Charterer with the Secretary; provided, however, that, with the consent of the Secretary, there shall be included in Net Worth but excluded from Long Term Debt any subordinated indebtedness representing loans to the Charterer, evidence of which shall have been delivered to the Secretary.

(c) The applicable annual Guarantee Fee for annual periods beginning with the date hereof and prior to the Delivery Date of each Vessel will be determined as follows:

(1) If the Net Worth is less than 15% of the Long Term Debt, the Guarantee Fee shall be $\frac{1}{2}$ of 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee;

(2) If the Net Worth is less than the Long Term Debt but equal to or greater than 15% of the Long Term Debt, the Guarantee Fee shall be $\frac{3}{8}$ of 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee; or

(3) If the Net Worth shall equal or exceed the Long Term Debt, the Guarantee Fee shall be $\frac{1}{4}$ of 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee.

(d) The applicable annual Guarantee Fee for annual periods commencing on and after the Delivery Date of each Vessel will be determined as follows:

(1) If the Net Worth is less than 15% of the Long Term Debt, the Guarantee Fee shall be 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee;

(2) If the Net Worth is less than 60% of the Long Term Debt but equal to or greater than 15% of the Long Term Debt, the Guarantee Fee shall be $\frac{3}{4}$ of 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee;

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(3) If the Net Worth is less than the Long Term Debt but equal to or greater than 60% of the Long term Debt, the Guarantee Fee shall be $\frac{5}{8}$ of 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee; or

(4) If the Net Worth shall equal or exceed the Long Term Debt, the Guarantee Fee shall be $\frac{1}{2}$ of 1% per annum of the Average Proportionate Principal Amount of Obligations Outstanding during the annual period covered by said Guarantee Fee.

(e) The Guarantee Fee shall be calculated for each annual period covered thereby and shall take into account (i) the principal amount of the Obligations to be originally issued during such annual period, (ii) payments to be made at Maturity and redemptions required to be made pursuant to the mandatory sinking fund provisions (if any) of the Special Provisions of the Indenture (without regard to any credit provided therein) and (iii) the average amount (except interest) calculated by the Shipowner to be on deposit in the Escrow Fund during such annual period.

(f) The annual Guarantee Fee shall be subject to increase or decrease to the extent that (i) the principal amount of the Obligations calculated to be paid at Maturity or to be redeemed in accordance with the mandatory sinking fund provisions (if any) of the Special Provisions of the Indenture is not so paid or redeemed, (ii) the principal amount of the Obligations originally issued differs from the principal amount calculated to be issued originally, or (iii) the average amount (except interest) on deposit in the Escrow Fund differs from the average amount (except interest) which was calculated to be on deposit in the Escrow Fund during the annual period covered by the Guarantee Fee. The annual Guarantee Fee shall be subject to decrease for redemptions made pursuant to the optional redemption provisions, if any, of the Obligations and the optional sinking fund provisions, if any, of the Special Provisions of the Indenture and Sections 3.04 and 3.05 of Exhibit 1 to the Indenture, for Obligations delivered to the Indenture Trustee pursuant to Section 2.13 of Exhibit 1 to the Indenture, and in the event of termination of the applicable Guarantees pursuant to Section 3.05. Any such increases and decreases provided for by this paragraph (f) shall be adjusted as provided in paragraph (i) of this Section 3.02.

(g) The payment of the initial Guarantee Fee which covers a 12-month period commencing with the date hereof is being made to the Secretary by the Shipowner concurrently with the execution and delivery of this Security Agreement, the receipt whereof by

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the Secretary is hereby acknowledged. The Guarantee Fee hereunder in respect of each succeeding 12-month period shall be paid to the Secretary by the Shipowner at least 65 days prior to each anniversary of the date hereof, covering the 12-month period then commencing. The Guarantee Fee shall not be due for any period on or after any anniversary date if, prior to said date, said Guarantees shall have terminated or the Secretary shall have defaulted in making payment of said Guarantees.

(h) Unless otherwise specified by the Secretary in a written notice to the Shipowner, the Guarantee Fee hereunder may be paid by check (which need not be certified) payable to the order of "Maritime Adm.-Commerce", delivered in person or sent by mail, addressed to the Secretary as provided in Article X, accompanied by a letter stating that the payment is of the Guarantee Fee required hereunder and specifying the period covered by such payment.

(i) In the event that the Secretary at any time determines that the amount of any Guarantee Fee should be adjusted, has been erroneously calculated or is subject to increase or decrease pursuant to paragraph (f) of this Section 3.02, he shall promptly give written notice thereof to the Shipowner, specifying the correct amount, the basis of computation thereof and the amount of the deficiency or excess. The Shipowner shall pay to the Secretary, within 30 days after it has received said notice, the amount of any deficiency.

In the event that during any such annual period the Delivery Date of a Vessel shall have occurred, the rate of the Guarantee Fee shall be prorated so that the Guarantee Fee specified in paragraph (c) of this Section is applicable from the next prior anniversary date of this Security Agreement to such Delivery Date and that the Guarantee Fee specified in paragraph (d) of this Section is applicable from the Delivery Date to the end of such annual Guarantee Fee period.

The amount of any excess payment shall be refunded to the Shipowner by the Secretary; provided that, if there is an existing Default, any such amount shall, subject to Article VI, be retained by the Secretary until (A) there is no existing Default or (B) the Guarantees shall have terminated pursuant to Section 3.05(1), (2) or (4).

(j) Subject to the provisions of paragraphs (f) and (i) of this Section, the Guarantee Fee shall be determined to be fully earned as of the commencement of the period to which it is applicable and, subject to said provisions, no refund will be made by the Secretary of any Guarantee Fee in the event the Guarantees shall terminate after the due date of such Guarantee

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Fee, or the time of receipt and collection by the Secretary, in the case of a deficit Guarantee Fee.

Section 3.03. Payment of the Secretary's Note. The principal of and the interest on the Secretary's Note shall be payable as follows:

- (1) by payment of interest on the Obligations in accordance with the provisions thereof and the Indenture;
- (2) by redemption of the Obligations in accordance with the provisions thereof and the Indenture;
- (3) when the Obligations have been Retired or Paid, other than by payment of the Guarantees;

and the aforesaid payments shall constitute payment of the interest on and the principal of the Secretary's Note as of the date on which and to the extent such payment, redemption or retirement is made and the Secretary's Note shall be discharged to the extent of such payment of principal.

Section 3.04. Cancellation of the Secretary's Note. In the event and when the Guarantees on all the Obligations as to which Guarantees are secured by the Secretary's Note have been terminated pursuant to the provisions of Section 3.05(1), (2) or (4), or if such Guarantees have been terminated pursuant to Section 3.05(3), the Secretary has been fully reimbursed in an amount equivalent to such Guarantee payments with the interest thereon provided in the Secretary's Note together with any other moneys secured hereby, the Secretary's Note shall be cancelled and returned by the Secretary to the Shipowner.

Section 3.05. Termination of the Guarantees. Except as provided in Section 6.08 of the Indenture, the Guarantee with respect to a particular Obligation shall terminate in case, and only in case, one or more of the following events shall occur:

- (1) Such Obligation shall have been Retired or Paid;
- (2) The Holders of all the Obligations then Outstanding shall have elected by Act of Obligees to terminate the Guarantees, and the Secretary has been so notified by the Indenture Trustee or all Obligees in writing; provided that such termination shall not prejudice any rights accruing hereunder prior to such termination;
- (3) Such Guarantee shall have been paid in full in cash by the Secretary; or

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(4) The Indenture Trustee and each Obligee shall have failed to demand payment of such Guarantee as provided in the Indenture or in such Guarantee or in the Act.

Section 3.06. Execution of Additional Secretary's Note Upon Subsequent Issue of Obligations. In the event and when each new issue of Obligations is executed, authenticated and delivered on a date or dates subsequent to the date hereof, as contemplated by, and pursuant to the provisions of, the Special Provisions of the Indenture and Section 2.04 of Exhibit 1 to the Indenture, (i) the Shipowner shall, at the time of the issuance of such Obligations, execute and deliver to the Secretary an additional Secretary's Note in an amount equal to the principal amount of, and at the interest rate borne by, such issue of Obligations, on the terms prescribed by Section 3.03 and otherwise of like tenor to the form of Secretary's Note annexed hereto, and (ii) the Shipowner and the Secretary shall execute an instrument amending or supplementing the Mortgage if then in effect (or the form of the Mortgage, if not then in effect) to the extent necessary to provide security in respect of such additional Secretary's Note. The Secretary's Note executed and delivered in accordance with the provisions of this Section shall, together with the Secretary's Note referred to in the Special Provisions hereof, be secured by this Security Agreement and the Mortgage.

ARTICLE IV

Construction Fund; Moneys Due in Respect of Construction of the Vessels

Section 4.01. Construction Fund. (a) The Shipowner has, simultaneously with the execution of this Security Agreement, deposited with the Depository the amount, if any, as indicated in the Special Provisions hereof to be held in the Construction Fund in a special joint depository account subject to the joint control of the Shipowner and the Secretary.

(b) The Construction Fund, if any, will be maintained and withdrawn in accordance with the provisions of this Section and Sections 4.02, 4.03 and 4.04.

(c) In the event the Special Provisions hereof provide for a Construction Fund, the Secretary and the Shipowner shall have entered into the Depository Agreement with the Depository governing the establishment and maintenance of the Construction Fund in form satisfactory to the Shipowner and the Secretary.

(d) At the time of each original issue of additional Obligations the Shipowner shall deposit with the Depository an

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amount equal to the excess, if any, of the principal amount of the Obligations issued at such time over (i) the principal amount then required to be deposited in the Escrow Fund and (ii) the moneys, if any, paid, to the date of such issue, toward the Actual Cost of the Vessels and which would then be eligible for withdrawal from the Construction Fund pursuant to the provisions of Section 4.02.

Section 4.02. Withdrawals from the Construction Fund. (a) The whole or any part of the Construction Fund shall be applied from time to time to the direct payment to the Indenture Trustee, any Paying Agent for the Obligations, the Shipbuilder or any other Person entitled thereto of any amount which from time to time the Shipowner is obligated to pay to the Indenture Trustee or any Paying Agent in respect of the principal of or interest on the Obligations, or the Shipbuilder or such other Person on account of the items, amounts and increases set forth in the determination of Actual Cost referred to in the Special Provisions hereof; provided that--

(1) If the Shipowner shall have paid or caused to be paid (whether directly or pursuant to Section 5.02(b)) to the Indenture Trustee, any Paying Agent for the Obligations, the Shipbuilder or such other Person any amount referred to in this Section, the Shipowner shall be reimbursed from the Construction Fund therefor to the extent provided in this Section; and

(2) No payment or reimbursement under this Section shall be made (A) to any Person until the total amount paid by or for the account of the Shipowner in respect of said items, amounts and increases from sources other than the proceeds of the Obligations equals at least 12-1/2% (or, in the circumstances described in the proviso of this subparagraph (2), 25%) of the Actual Cost of the Vessel with respect to which such payment is made, (B) to the Shipbuilder until any estimated net trade-in allowance applicable to such Vessel which is, at the time, due and payable by the United States to the Shipbuilder pursuant to Section 510 of the Act has been paid to the Shipbuilder on account of Item (1) of the Table annexed hereto, (C) to the Shipbuilder until the Shipowner shall have paid to the Shipbuilder out of its general funds all amounts which at the time are due and payable by the Shipowner on account of charter hire of a vessel traded in pursuant to the foregoing Section 510, (D) to the Shipowner which would have the effect of reducing the total amounts paid, referred to in clause (A) of this subparagraph (2), below the respective minima set forth in said clause with respect to such Vessel, or (E) to the Shipowner for reimbursement of any balance of a requested

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disbursement paid by the Shipowner with respect to such related Vessel pursuant to the last sentence of Section 5.02(d) or for reimbursement of any payment by the Shipbuilder referred to in clauses (B) and (C) of this subparagraph (2); provided that, in the event that the amount eligible for guarantees pursuant to Section 1104(b)(2) of the Act, is limited to 75% of the Actual Cost or Depreciated Actual Cost of the related Vessel with respect to which such payment is made, after 50% of the Actual Cost of such Vessel has been paid by or for the account of the Shipowner on account of the above-mentioned items, amounts and increases, the minimum of 12-1/2% set forth in clause (A) of this subparagraph (2) shall be changed to 25% with respect to payments on account of items, amounts and increases relating to such Vessel.

(b) In the event that one of the events described in Section 2.09 has occurred, upon a Request of the Shipowner, approved in writing by the Secretary, moneys remaining on deposit in the Construction Fund may be withdrawn for one of the following purposes: (1) application as provided in Section 3.05 of Exhibit 1 to the Indenture, (2) payment to the Shipowner or its order in the event that all of the Proportionate Outstanding Obligations are Retired or Paid, other than by payment of the Guarantees, or (3) application as provided in Section 6.05, if the Secretary shall have paid the Guarantees.

Section 4.03. Procedures for Construction Fund Withdrawals. (a) Prior to any payment or reimbursement pursuant to Section 4.02, there shall have been delivered to the Secretary:

(1) A request for payment (the "Request for Payment") (specifying the Person or Persons to be paid and the amount of such payment) executed by the Shipowner, approved and countersigned by the Secretary which Request for Payment shall request the Depository to notify the Secretary when the Construction Fund is exhausted; and

(2) An Officer's Certificate stating--

(A) That the payments and reimbursements are on account of the items, amounts or increases set forth in the determination of Actual Cost;

(B) That the amounts stated therein are then payable in respect thereof (specifying the amount in respect of each such item, amount and increase and the name and address of the Person to whom it should be paid) and/or that payments in a stated amount in respect

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thereof have been made by or for the account of the Shipowner from sources other than the Construction Fund or amounts (exclusive of interest) deposited in the Escrow Fund (specifying the amount in respect of each such item, amount and increase) and that reimbursement therefor from the Construction Fund has not theretofore been made:

(C) That there is no existing Default under this Security Agreement:

(D) That there has been compliance with all conditions provided for in this Section as to the payments and reimbursements thereby requested:

(E) That the aggregate payments made by or for account of the Shipowner for the Actual Cost of the Vessel in respect of which the requested payment or reimbursement is to be made from sources other than the proceeds of the Obligations, after such payment or reimbursement is made, shall remain not less than 12-1/2% (or in the circumstances described in the proviso of subparagraph 4.02(a) (2), 25%) of the Actual Cost of such Vessel; and

(F) The balance which will remain in the Construction Fund following the payment requested in the Request for Payment.

(b) Upon approval and countersignature by the Secretary of the Request for Payment, the Request for Payment shall be delivered to the Depository which shall make payment in accordance with the terms of such Request for Payment.

Section 4.04. Redeposit of Funds into the Construction Fund. At any time the Secretary shall have determined that there has been, for any reason, an improper disbursement from the Construction Fund, he shall give written notice to the Shipowner of the amount improperly disbursed, the amount to be redeposited into the construction Fund on account thereof and the reasons for such determination. The Shipowner shall thereafter promptly redeposit such amount into the Construction Fund.

Section 4.05. Cash Held by the Depository in the Construction Fund. (a) All cash held by the Depository in the Construction Fund shall be held in a special joint depository account for the purposes for which held (subject to Section 4.03).

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(b) Cash held by the Depository in the Construction Fund (i) need not be segregated, (ii) shall not be invested or reinvested except as provided in the following paragraph (c), and (iii) shall not bear interest except to the extent the Depository allows interest on similar deposits or except as the Shipowner and the Depository may agree.

(c) If the Depository is so directed by the Shipowner by the Delivery of a Request, any cash held in the Construction Fund pursuant to paragraph (a) of this Section shall, unless there is an existing Default, (i) be invested or reinvested by the Depository in negotiable certificates of deposit of the Depository, provided such investment in negotiable certificates of the Depository do not exceed 10% of the Depository's capital or (ii) be invested or reinvested by the Depository in securities which constitute direct obligations of the United States or any agency of the United States, provided that, such investments or reinvestments shall mature not later than one year from the date of the investment or reinvestment. The Depository shall sell all or any designated part of such securities if (i) so directed by the Shipowner by the delivery of a Request approved by the Secretary in writing (or, at the Secretary's written direction, without any Request of the Shipowner, during the continuance of a Default) or (ii) at any time the proceeds thereof are required for the purposes specified in Section 4.02. If such sale (or any payment at maturity) produces a net sum less than the cost (including accrued interest paid as such) of the securities so sold or paid, the Depository shall give written notice to the Secretary and the Shipowner of such deficiency and the Shipowner shall promptly pay the deficiency to the Depository. If such sale or payment produces a net sum greater than the cost (including accrued interest paid as such) of the securities so sold or paid, the Depository shall promptly pay the excess to the Shipowner unless the Depository shall have received written notice from the Secretary that there is then an existing Default. All such securities and the net proceeds of the sale or payment thereof (plus any deficiency paid by the Shipowner, but excluding any excess over cost paid to the Shipowner) shall be held by the Depository for the same purposes as the cash used to purchase the securities.

(d) Any interest on cash or securities (less an amount equal to accrued interest paid upon purchase) held by the Depository shall, unless there is an existing Default, be promptly paid to the Shipowner.

Section 4.06. Moneys Due in Respect of Construction of the Vessels. In the event that the Shipowner shall from time to time receive moneys described in the Granting Clause of the Special Provisions hereof from the Secretary, the Shipbuilder, its

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guarantors, sureties, or otherwise, representing moneys which from time to time become due to the Shipowner in connection with the Construction of any Vessel, the Shipowner shall give written notice thereof to the Secretary and shall promptly pay the same over to the Depository, accompanied by written notice to the Depository and the Secretary that such moneys are to be held by the Depository pursuant to the applicable provisions of the Depository Agreement. The Depository shall hold such funds until it shall have received written notice from the Secretary as to whether or not said moneys are to be applied to reduce the Actual Cost of such Vessel or Vessels. In the event the Secretary shall determine that all or any portion of such moneys are to be so applied, the Secretary shall give written notice to the Shipowner and the Depository and the Depository shall pay over such moneys to the Indenture Trustee and the Shipowner shall contribute such additional sums to the Indenture Trustee as the Secretary shall determine in such written notice to the Shipowner and the Depository. The Shipowner and the Secretary shall give the Indenture Trustee written notice stating that such funds (i) shall be applied pursuant to Section 3.04 of Exhibit 1 to the Indenture to redeem the principal amount of the Outstanding Obligations specified therein, and (ii) are to be so applied in order that the principal amount of Obligations that will be outstanding after such redemption will not exceed the principal amount thereof eligible for guarantee by the United States under Section 1104(b)(2) of the Act. In the event moneys are received in connection with Construction of any Vessel, the Secretary will redetermine the Actual Cost, and, if referred to in ARTICLE FIRST of the Special Provisions hereof, the Depreciated Actual Cost, of such Vessel but the Secretary agrees he will not require the redemption of Obligations unless (A) the original principal amount of the Obligations less (B) the aggregate principal amount (as established by an Officer's Certificate of the Shipowner delivered to the Secretary within 10 days of the giving of the written notice of the receipt of such moneys referred to above) of Obligations which either (i) have been redeemed pursuant to any optional redemption provisions of the Indenture and not theretofore credited (whether as a result of any automatic crediting provisions of the Indenture or otherwise) against any redemptions required to be made by any mandatory redemption provisions of the Indenture, (ii) have been acquired by the Shipowner other than pursuant to the redemption provisions of the Indenture and surrendered to the Indenture Trustee for cancellation and not theretofore credited (whether as a result of any automatic crediting provisions of the Indenture or otherwise) against any redemptions required by any mandatory redemption provisions of the Indenture, or (iii) have been redeemed in connection with Section 1104(b)(2) of the Act in accordance with the Indenture, is in excess of the percentage of the aggregate of the Actual Cost or Depreciated Actual Cost, as the case may be,

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of the Vessels set forth in ARTICLE FIRST of the Special Provisions hereof as so redetermined and all other Vessels then subject to the Security Agreement set forth in ARTICLE FIRST of the Special Provisions as so redetermined. The Shipowner shall give written notice to the Indenture Trustee of all Obligations credited pursuant to the immediately preceding sentence, specifying the number and principal amount of such Obligations so credited, within three days of the determination of the Secretary referred to above, provided that if Obligations are required to be redeemed in connection with Section 1104(b)(2) of the Act in accordance with the Indenture, the notice of Obligations credited, if any, shall be included in the written notice required to be given to the Indenture Trustee in connection with such redemption.

ARTICLE V

Actual Cost; The Escrow Fund

Section 5.01. Actual Cost Determinations. The Actual Cost of each Vessel (and the sum of the Actual Cost of all of the Vessels), determined as of the date of this Security Agreement, is as set forth in the Special Provisions hereof. The Secretary agrees that he (1) will make a final determination of the Actual Cost of each Vessel, limited to amounts paid by or for the account of the Shipowner on account of the items (not in excess of the respective amounts of the items) set forth or referred to in the Special Provisions hereof and, to the extent approved by the Secretary, any other items or any increase in the amounts of such set forth or referred to items, such determination to be made as of the time of payment by or for the account of the Shipowner of the full amount of said Actual Cost of such Vessel, excluding any amounts which are not to become due and payable and (2) will promptly give written notice to the Shipowner of the results of said final determination; provided that, the Shipowner shall have requested such determination not less than 60 days in advance (unless otherwise agreed by the Secretary) and shall have furnished to the Secretary not less than 30 days in advance of such determination (unless otherwise agreed by the Secretary) a certification by the Shipowner and (unless otherwise agreed by the Secretary) a statement by an independent certified (or, with the consent of the Secretary, an independent) public accountant or firm of accountants of the total amounts paid or obligated to be paid by or for the account of the Shipowner for the Construction of such Vessel, together with a breakdown of such totals according to the items for which paid or obligated to be paid.

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Section 5.02. Escrow Fund; Disbursement Prior to Termination Date of the Escrow Fund. (a) The Shipowner has simultaneously herewith deposited with the Secretary the amount, if any, indicated in the Special Provisions hereof to be held in the Escrow Fund.

At the time of each sale of additional Obligations after the date hereof, the Shipowner shall deposit with the Secretary in escrow, and the Secretary shall accept, all or a portion of said proceeds from the sale of such Obligations, in an amount equal to the sum of the following:

(1) The aggregate sum of the excess (if any) calculated for each Vessel separately of (a) the aggregate principal amount of the Proportionate Part of the Outstanding Obligations, authenticated to the date of such deposit, including the principal amount of the Obligations being sold at such time, less 75% or 87-1/2%, whichever is applicable under Section 1104 of the Act, of the amount which the Secretary shall determine has been, as of such time, paid by or for the account of the Shipowner for the Construction of such Vessel over (b) the balance on deposit other than for interest or earned income relating to such Vessel at such time in the Escrow Fund; and

(2) Interest, as may be required by the Secretary, on the amount of such deposit (computed at the effective rate borne by the Obligations).

(b) Unless the Guarantees, prior to the Termination Date of the Escrow Fund (as hereinafter defined), shall become payable as to the Obligations, the Secretary shall subject to the provisions of this paragraph (b), within a reasonable time after written Request from the Shipowner disburse from the Escrow Fund directly to the Indenture Trustee, any Paying Agent for such Obligations, the Shipbuilder or any other Person entitled thereto, any amount which from time to time the Shipowner is obligated to pay to the Indenture Trustee, any Paying Agent for such Obligations, the Shipbuilder or such other Person on account of the items and amounts or any other items or increases set forth or referred to in the Special Provisions hereof, and reflected in the Table annexed hereto; provided that--

(1) If the Shipowner shall pay or cause to be paid to the Indenture Trustee, any Paying Agent for such Obligations, the Shipbuilder or such other Person any amount referred to in this paragraph (b), then upon a Request, in form satisfactory to the Secretary, the Secretary shall reimburse the Shipowner therefor to the extent of such payment;

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(2) No payment or reimbursement under this Section shall be made (A) to any Person until the Construction Fund has been exhausted and a certificate as to such fact shall have been delivered to the Secretary by the Depository (B) to any Person until the total amount paid by or for the account of the Shipowner on account of said items, amounts and increases from sources other than the proceeds of such Obligations equals at least 12-1/2% (or, in the circumstances described in the proviso of this subparagraph (2), 25%) of the Actual Cost of the related Vessel with respect to which such payment is made, (C) to the Shipbuilder until any estimated net trade-in allowance applicable to such Vessel which is at the time due and payable by the United States to the Shipbuilder pursuant to Section 510 of the Act has been paid to the Shipbuilder on account of Item (1) of the Table annexed hereto, (D) to the Shipbuilder until the Shipowner shall have paid to the Shipbuilder out of its general funds all amounts which at the time are due and payable by the Shipowner on account of charter hire of a Vessel traded in pursuant to the foregoing Section 510, (E) to the Shipowner which would have the effect of reducing the total amounts paid, referred to in clause (B) of this subparagraph (2), below the respective minima set forth in said clause, or (F) to the Shipowner for reimbursement of any balance of a requested disbursement paid by the Shipowner with respect to such related Vessel pursuant to the last sentence of paragraph (d) of this Section or for reimbursement of any payment to the Shipbuilder referred to in clauses (C) and (D) of this subparagraph (2); provided that, in the event the amount eligible for Guarantees pursuant to Section 1104(b) (2) of the act, is limited to 75% of the Actual Cost or Depreciated Actual Cost, as the case may be, of such Vessel, after 50% of the Actual Cost of such Vessel has been paid by or for the account of the Shipowner on account of the above-mentioned items, amounts and increases, the minimum of 12-1/2% set forth in clause (B) of this subparagraph (2) shall be changed to 25%.

(c) The excess, as determined by the Secretary, of any amount on deposit in the Escrow Fund which represents interest on the principal amount deposited, over the amount of interest due on the next Interest Payment Date on the principal amount as determined by the Secretary remaining on deposit on such Interest Payment Date, may be disbursed by the Secretary upon Request of the Shipowner made not more than 10 Business Days prior to such Interest Payment Date or made no later than 30 days after such Interest Payment Date.

(d) The Secretary shall not be required to make any disbursement pursuant to this Section except out of cash

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available in the Escrow Fund. If sufficient cash is not available to make the requested disbursement, additional cash shall be provided by the maturity or sale of securities in accordance with instructions to be delivered to the Treasury Department pursuant to Section 5.04. If any sale or payment on maturity shall result in a loss in the principal amount of the Escrow Fund invested in securities so sold or matured, the requested disbursement from the Escrow Fund shall be reduced by an amount equal to such loss and the Shipowner shall, no later than the time for such disbursement, pay to the Indenture Trustee, any Paying Agent, the Shipbuilder or any other person entitled thereto the balance of the requested disbursement from funds of the Shipowner other than the proceeds of such Obligations.

(e) If, prior to the Termination Date of the Escrow Fund, the Guarantees shall become payable by the Secretary, as to the Obligations, all amounts in the Escrow Fund at the time such Guarantees become payable (including realized income which has not yet been paid to the Shipowner) shall be paid into the Federal Ship Financing Fund created by Section 1102 of the act and be credited against any amounts due or to become due to the Secretary from the Shipowner with respect to all Obligations guaranteed by the Secretary to which this Security Agreement relates. To the extent payment of the Escrow Fund into said Federal Ship Financing Fund is not required, said amounts or any balance thereof shall be paid to the Shipowner.

(f) At any time the Secretary shall have determined that there has been, for any reason, a disbursement from the Escrow Fund contrary to the provisions of this Section, he shall give written notice to the Shipowner of the amount improperly disbursed, the amount to be redeposited into the Escrow Fund on account thereof and the reasons for such determination. The Shipowner shall thereafter promptly redeposit such amount, with interest, if any, required by the Secretary, into the Escrow Fund.

(g) Notwithstanding any other provision of this Section, the Shipowner shall not seek or receive reimbursement for any amount paid to the Shipbuilder under this Section.

(h) In the event that one of the events described in Section 2.09 has occurred on or with respect to one or more of the Vessels, upon a Request of the Shipowner, approved by the Secretary in writing, moneys remaining on deposit in the Escrow Fund may be withdrawn in whole or in part for one of the following purposes: (1) application as provided in Section 3.05 of Exhibit 1 to the Indenture, but in no event shall any disbursement for such purpose be in an amount greater than the

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related Proportionate Outstanding Obligations (2) payment to the Shipowner, or its order, in the event all of the Proportionate Outstanding Obligations are Retired and Paid, other than by payment of the Guarantees, or (3) application as provided in Section 6.05, if the Secretary shall have paid the Guarantees.

Section 5.03. Disbursement Upon Termination Date of the Escrow Fund. If payments under the Guarantees of the Obligations have not become payable prior to the Termination Date of the Escrow Fund, then on or immediately after said date any balance of the Escrow Fund shall be disbursed by the Secretary as set forth below:

(1) To the extent that (A) the principal amount of such Obligations originally issued, less (B) the aggregate principal amount (as established by an Officer's Certificate of the Shipowner delivered to the Secretary not less than 30 days in advance of the Termination Date of the Escrow Fund) of such Obligations which either (i) have been or are (as indicated by the giving of a notice of redemption which does not state that it is subject to the receipt of the redemption moneys by the Indenture Trustee or any Paying Agent of the Shipowner for such Obligations) to be Retired or Paid on or before said Termination Date pursuant to Sections 3.02(a), 3.02(b) or 3.05 of Exhibit 1 to the Indenture, and not, in the case of redemptions pursuant to Sections 3.02(a) and 3.02(b) of Exhibit 1 to the Indenture, availed of as a credit against redemptions otherwise required to be made pursuant to the sinking fund provisions of Section 3.02(c) of Exhibit 1 to the Indenture, or (ii) have been delivered by the Shipowner to the Indenture Trustee for cancellation to be availed of pursuant to and in full compliance with Section 3.04 of Exhibit 1 to the Indenture shall be in excess of a sum which is (C) the aggregate of 75% or 87-1/2%, whichever is applicable under Section 1104 of the Act, of the respective Actual Cost of each of the Vessels limited to amounts paid by or for the account of the Shipowner on account of items (not in excess of the respective amounts of the items) set forth or referred to in the Table annexed hereto and, to the extent approved by the Secretary, any other items or any increase in the amounts of the items set forth or referred to in said Table, as such cost is finally determined by the Secretary as of the Termination Date of the Escrow Fund, the Escrow Fund shall be paid to the Indenture Trustee accompanied by a written notice from the Secretary and the Shipowner to the Indenture Trustee, stating that such funds (y) shall be applied by the Indenture Trustee to redeem an equal principal amount of Obligations and (z) are to be so applied in order that the principal amount of Obligations that will be Outstanding after such redemption will not

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exceed the principal amount thereof eligible for Guarantee by the United States under Section 1104(b)(2) of the Act.

(2) From the balance remaining after the deduction of the amount equal to the principal amount of Obligations to be redeemed pursuant to Section 3.04 of Exhibit 1 to the Indenture, an amount equal to the interest accrued to the date fixed for redemption pursuant to said Section 3.04 shall be paid from the Escrow Fund to the Indenture Trustee simultaneously with the giving of such written notice by the Shipowner and the Secretary to be applied to the payment of such interest. In the event the balance remaining in the Escrow Fund after giving effect to subparagraph (1) is insufficient to pay the interest accrued to the date fixed for redemption, such balance shall be paid from the Escrow Fund by the Secretary to the Indenture Trustee and the Shipowner shall, simultaneously with the giving of such written notice from the Shipowner and the Secretary to the Indenture Trustee, deposit with the Indenture Trustee an amount equal to the difference between such balance remaining in the Escrow Fund and the total amount required for the payment of accrued interest to the date fixed for redemption pursuant to Section 3.04 of Exhibit 1 to the Indenture.

(3) Any remainder of such balance of the Escrow Fund after giving effect to subparagraphs (1) and (2) above shall be paid to the Shipowner.

Section 5.04. Investment and Liquidation of the Escrow Fund. The Secretary may invest the Escrow Fund in obligations of the United States with such maturities that the Escrow Fund will be available as required for the purposes hereof. The Secretary shall deposit the Escrow Fund into an account with the Treasury Department and deliver to the Treasury Department instructions, after agreement thereto by the Secretary and the Shipowner except in the case of instructions in connection with payment into the Federal Ship Financing Fund pursuant to Section 5.02(e), for the investment, reinvestment and liquidation of the Escrow Fund. The Secretary shall have no liability to the Shipowner for acting in accordance with such instructions.

Section 5.05. Income on the Escrow Fund. Except as provided in Section 5.02(e), any income realized on the Escrow Fund shall, upon receipt by the Secretary, be paid to the Shipowner. For the purpose of this Section, (i) the term "income realized on the Escrow Fund" shall mean with respect to the Escrow Fund (A) the excess of the cash received from the sale of securities or the payment of securities at maturity (less any losses from sale not made up by payments by the Shipowner pursuant to the last sentence of Section 5.02(a)) over the cost

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thereof and (B) cash received from the payment of interest on securities, and (ii) the term "upon receipt by the Secretary" shall mean the time of receipt by the Secretary of advice of the payment of such income by the Treasury Department into the account in which the Escrow Fund has been deposited.

Section 5.06. Termination Date of the Escrow Fund;
Extension of the Termination Date. The Escrow Fund will terminate 90 days after the last Delivery Date of a Vessel covered by this Security Agreement (herein called the "Termination Date of the Escrow Fund"). In the event that on such date the payment by or for the account of the Shipowner of the full amount of the Actual Cost of all of the Vessels set forth or referred to in the Special Provisions hereof has not been made or the amounts in respect of such Actual Cost are not then due and payable, then the Shipowner and the Secretary by letter agreement shall extend the Termination Date of the Escrow Fund for such period as shall be determined by the Shipowner and the Secretary as sufficient to allow for the contingencies hereinabove set forth. If the Secretary shall make a final determination of the Actual Cost of all of the Vessels in accordance with Section 5.01, the Termination Date of the Escrow Fund shall be deemed to be the date of such final determination.

ARTICLE VI

Defaults and Remedies

Section 6.01. What Constitutes "Defaults"; Continuance of Defaults. Each of the following events shall constitute a "Default" within the meaning of this Section.

(a) Default in the payment of the whole or any part of the interest on any of the Outstanding Obligations when the same shall become due and payable or default in the payment of the whole or any part of the principal of any of the Outstanding Obligations when the same shall become due and payable, whether by reason of Maturity, redemption, acceleration, or otherwise, or any default referred to in Section 6.08 of Exhibit 1 to the Indenture, and continuation of such default for a period of 30 days shall constitute and is herein called a "Payment Default". For the purposes of this Security Agreement and the Mortgage only, any corresponding default with respect to the interest on, or the principal of, the Secretary's Note is also deemed to be a Payment Default.

(b) The following shall constitute and each is herein called a "Security Default":

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(1) Default by the Shipowner, continued for 5 days, in the payment to the Secretary of the amount of any Guarantee Fee as required by Section 3.02;

(2) Default by the Shipowner in the due and punctual observance and performance of any provision in Sections 2.02(a), 2.04(b) and (e), 2.05, 2.06, and 2.15;

(3) Default by the Shipowner continued after written notice specifying such failure by certified or registered mail to the Shipowner from the Secretary in the due and punctual observance and performance of any provision in Sections 2.07 (except paragraphs (g) and (k) thereof), 2.09, 2.11 and 2.12;

(4) Default by the Shipowner continued for 30 days after written notice by certified or registered mail to the Shipowner and the Charterer from the Secretary in the due and punctual observance of any other agreement in this Security Agreement and in the Mortgage;

(5) The Shipowner shall become insolvent or bankrupt or shall cease paying or providing for the payment of its debts or shall be dissolved or shall, by a court of competent jurisdiction, be adjudged a bankrupt or shall make a general assignment for the benefit of its creditors or shall lose its charter by forfeiture or otherwise; or a petition for reorganization of the Shipowner under the Bankruptcy Act shall be filed by the Shipowner, or such petition shall be filed by creditors and the same shall be approved by a court of competent jurisdiction; or a reorganization of the Shipowner under said Act shall be approved by such a court, whether proposed by a creditor, a stockholder or any other Person whomsoever; or a receiver or receivers of any kind whatsoever, whether appointed in admiralty, bankruptcy, common law or equity proceedings, shall be appointed, by a decree of a court of competent jurisdiction, with respect to any Vessel or all or substantially all of the property of the Shipowner, and such decree shall have continued unstayed, on appeal or otherwise, and in effect for a period of 60 days;

(6) An event which by itself or with the passage of time, or the giving of notice, or both, would constitute an Event of Default under the Charter which has continued after written notice by certified or

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registered mail to the Shipowner and the Charterer by the Secretary;

(7) Any default in the due and punctual observance and performance of any provision in the Title XI Reserve Fund and Financial Agreement;

(8) Any representation or warranty made in connection with the execution and delivery of this Security Agreement, the Mortgage, the Title XI Reserve Fund and Financial Agreement or in any certificate required to be furnished thereunder, that shall prove to be incorrect in a material respect; and

(9) Any additional Security Default prescribed in the Special Provisions hereof.

At any time following the occurrence of a Security Default, the Secretary may give the Indenture Trustee a Secretary's Notice, with respect to such Security Default after which the Indenture Trustee and the Obligees shall have the right to make demand for payment of the Guarantees in accordance with the provisions of the Indenture and the Authorization Agreement.

Section 6.02. Acceleration of Maturity of the Secretary's Note. The Secretary may, by giving written notice to the Shipowner, declare the principal of the Secretary's Note and interest accrued thereon to be immediately due and payable at any time after the Secretary shall have been obligated to pay the Guarantees pursuant to the terms of the Indenture and the Authorization Agreement. Thereupon the principal of and interest on the Secretary's Note shall become immediately due and payable, together with interest at the same rates for overdue principal.

Section 6.03. Waivers of Default. (a) If the Secretary determines that an event which, with the passage of time, would become a Payment Default has been remedied within 30 days after the occurrence of such event, he shall waive the consequences of such event.

(b) If the Secretary shall have determined prior to payment of the Guarantees that a Payment Default has been remedied after the expiration of the aforesaid 30-day period but prior to the date of demand by the Indenture Trustee or an Obligee for payment under the Guarantees, he shall waive such Default.

(c) If the Secretary shall have determined prior to the expiration of the period required for payment of the Guarantees that a Payment Default had not occurred (and prior to any payment of the Guarantees by the Secretary), he shall notify the

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Indenture Trustee and the Shipowner of such determination and he shall waive such Default.

(d) The Secretary, in his sole discretion, may waive any Security Default or any event which by itself, or with the passage of time or the giving of notice, or both, would give rise to a Security Default; provided that, such Default is waived prior to the Secretary giving to the Indenture Trustee the Secretary's Notice.

(e) The Secretary shall notify the Shipowner and the Indenture Trustee in writing of any determinations made under paragraphs (a), (b) and (c) of this Section 6.03, and the Secretary shall waive the consequences of any such Default and annul any declaration under Section 6.02 and the consequences thereof.

(f) No waiver under this Section shall extend to or affect any subsequent or other Default, nor impair any rights or remedies consequent thereon.

Section 6.04. Remedies After Default. (a) In the event of a Default and before and after the payment of the Guarantees, the Secretary shall have the right to take the Vessels without legal process wherever the same may be (and the Shipowner or other Person in possession shall forthwith surrender possession of the Vessels to the Secretary upon demand) and hold, lay up, lease, charter, operate, or otherwise use the Vessels for such time and upon such terms as he may reasonably deem to be for the best advantage to the Secretary, accounting only for the net profits, if any, arising from such use of the Vessels and charging against all receipts from the use of the Vessels all reasonable charges and expenses in connection with such use of the Vessels.

(b) Upon payment of the Guarantees, the Secretary shall have the right to -

(1) Exercise all the rights and remedies in foreclosure and otherwise given to mortgagees by the Ship Mortgage Act, 1920, as amended;

(2) Bring suit at law, in equity or in admiralty to recover judgment for any and all amounts due under the Secretary's Note, this Security Agreement and the Mortgage, collect the same out of any and all property of the Shipowner, whether or not the same is subject to the lien of the Mortgage, and in connection therewith obtain a decree ordering the sale of any Vessel in accordance with the following subparagraph (4);

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(3) Have a receiver of the Vessels appointed as a matter of right in any suit under this Section (and any such receiver may have the rights of the Secretary under the following subparagraph (4)):

(4) Sell any Vessel, free from any claim of the Shipowner, by public sale with sealed bids, held at such time and place and in such manner as the Secretary may reasonably deem advisable, after first publishing notice of the time and place of such sale for 10 consecutive Business Days in the Authorized Newspapers, and mailing a copy of such notice, by registered or certified mail, to the Shipowner at its last known address, the first such publication and mailing to be made at least 30 days prior to the date fixed for such sale; provided that, such sale may be adjourned from time to time without further publication or notice (other than announcement at the time and place appointed to such sale or adjourned sale). It shall not be necessary to bring any such Vessel to the place appointed for such sale or adjourned sale;

(5) Accept a conveyance of title to, and to take without legal process (and the Shipowner or other Person in possession shall forthwith surrender possession to the Secretary), the whole or any part of any Vessel and the Security wherever the same may be, and to take possession of and to hold the same;

(6) In his discretion, take any and all action authorized by Sections 1105(c), 1105(e) and 1108(b) of the Act and, to the extent not in express conflict with the action authorized by said Sections 1105(c), 1105(e) and 1108(b), or with this Section 6.04, any and all action provided for or authorized or permitted by or in respect of the Secretary's Note, this Security Agreement, the Vessels, the Security, the Escrow Fund, the Construction Fund, the Title XI Reserve Fund and the Policies of Insurance (said documents, funds and assets being herein called the "Increased Security"), including all action provided for in or authorized or permitted by or in respect of the Increased Security;

(7) Receive, in the event of an actual or constructive total loss or an agreed or compromised total loss or a requisition of title to or use of any Vessel, all insurance or other payments therefor to which the Shipowner would otherwise be entitled, such insurance moneys to be applied by the Secretary in accordance with the interest of the Secretary as provided in Section 7.01 and, if any balance

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remains, in accordance with the interest of the Shipowner as provided in Section 7.02; and

(8) Pursue to final collection all claims arising under, and to collect such claims from, the Increased Security.

(c) The Shipowner hereby irrevocably appoints the Secretary the true and lawful attorney of the Shipowner, in its name and stead, to make all necessary transfers of the whole or any part of the Increased Security in connection with a sale pursuant to paragraphs (a) or (b) of this Section, and for that purpose to execute all necessary instruments of assignment and transfer. Nevertheless, the Shipowner shall, if so requested by the Secretary in writing, ratify and confirm such sale by executing and delivering to any purchaser of the whole or any part of the Increased Security such proper bill of sale, conveyance, instrument of transfer or release as may be designated in such request.

(d) No remedy shall be exclusive of any other remedy, and each and every remedy shall be cumulative and in addition to any other remedy.

(e) No delay or omission to exercise any right or remedy shall impair any such right or remedy or shall be deemed to be a waiver of any Default.

(f) The exercise of any right or remedy shall not constitute an election of remedies by the Secretary.

(g) If the Secretary discontinues any proceeding, the rights and remedies of the Secretary and of the Shipowner shall be as though no such proceeding had been taken.

Section 6.05. Application of Proceeds. (1) The proceeds (from sale or otherwise) of the whole or any part of the Increased Security and use thereof by the Secretary under any of the foregoing powers, (2) the proceeds of any judgment collected by the Secretary for any Default hereunder, (3) the proceeds of any insurance and of any claim for damages to the whole or any part of the Increased Security received by the Secretary while exercising any such power, and (4) all other amounts received by the Secretary, including amounts which are required by Sections 2.07 and 2.09 or otherwise to be applied as provided in this Section, shall be applied by the Secretary as follows:

First--to the payment of the Guarantee Fee, if any, due and payable to the Secretary pursuant to the provisions of Section 3.02;

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Second--to the payment of all sums of money due and unpaid and secured by the Mortgage or this Security Agreement;

Third--to the payment of all advances by the Secretary pursuant to this Security Agreement and all reasonable charges and expenses of the Secretary;

Fourth--to the payment of the whole amount of the interest then due and unpaid upon the Secretary's Note;

Fifth--to the payment of the whole amount of the principal then due and unpaid upon the Secretary's Note;

Sixth--to the Indenture Trustee for its reasonable fees and expenses; and

Seventh--any balance thereof remaining shall be paid to the Shipowner or the Charterer as their interests may appear.

Section 6.06. General Powers of Secretary. (a) In the event any Vessel shall be arrested or detained by a marshal or other officer of any court of law, equity or admiralty jurisdiction in any country or nation of the world or by any government or other authority and shall not be released from arrest or detention within 15 days from the date of arrest or detention, the Shipowner hereby authorizes the Secretary, in the name of the Shipowner, to apply for and receive possession of and to take possession of such Vessel with all the rights and powers that the Shipowner might have, possess and exercise in any such event. This authorization is irrevocable.

(b) The Shipowner irrevocably authorizes the Secretary or its appointee (with full power of substitution) to appear in the name of the Shipowner in any court of any country or nation of the world where a suit is pending against the whole or any part of the Increased Security because of or on account of any alleged lien or claim against the whole or any part of the Increased Security from which the whole or said part of the Increased Security has not been released.

(c) All reasonable expenses incurred pursuant to paragraphs (a) or (b) of this Section shall constitute a debt due from the Shipowner to the Secretary and shall be repaid by the Shipowner upon demand. The Secretary shall not be obligated to (nor be liable for his failure to) take any action provided for in the foregoing paragraphs (a) and (b).

Section 6.07. Concerning the Charter. Notwithstanding the foregoing provisions of this Article VI, so long as the Charter

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shall be in full force and effect and the Charterer shall have performed its obligations thereunder, if the Secretary exercises any of the rights and remedies afforded him by this Security Agreement, the Mortgage or by law, such exercise shall be in such manner as to permit the continued utilization and operation of the Vessels under the Charter with the minimum disruption of service; provided, however, that (i) nothing in this Section 6.07 and none of the actions or omissions to act by the Secretary contemplated by this Section 6.07 shall be deemed to be a waiver by the Secretary of the preferred status of the Mortgage nor of any of the benefits, privileges or provisions given by the Ship Mortgage Act, 1920, as amended, (ii) no provision hereof shall constitute a waiver of such preferred status or any of such benefits, privileges or provisions, and (iii) in the event that any provision of this Security Agreement and of the Mortgage should be, or shall be held by a court of competent jurisdiction to be, a waiver of or otherwise prejudicial to such preferred status, then in such event such provision of this Security Agreement and Mortgage should be and shall be deemed to be of no force and effect.

ARTICLE VII

Rights of Secretary and Shipowner

Section 7.01. The Interest of the Secretary. The interest of the Secretary in the Increased Security, and any cash, securities or other property (other than property purchased by the Secretary at foreclosure proceedings or other public sale and any payments or receipts from the requisition, sale, charter, operation or other use or disposition of any such property accrued after the time of acquisition of title at such proceedings or sale, all of which property, payments and receipts shall belong to and vest exclusively in the Secretary), which may at any time be collected, received, realized or held by or for the Secretary (or others) in respect thereof (including payments referred to in Section 6.04(b) (4) and any excess Guarantee Fee held by the Secretary and not refundable to the Shipowner under the provisions of Section 3.02), shall be equal to, but not in excess of, an amount equal to the total of--

(1) the Guarantee Fee, if any, due and payable to the Secretary pursuant to the provisions of Section 3.02;

(2) the expenses (including administrative expenses) incurred and advances and disbursements made by the Secretary (or the United States) in the assertion, protection, pursuit and/or enforcement of the rights and remedies, or any of them, stated in Sections 6.04 and 6.06, and all other

Exhibit 1 to Security Agreement

expenses (including administrative expenses) incurred and advances and disbursements made by the Secretary (or the United States) in connection with the Increased Security or otherwise (other than those incurred or made in respect of the purchase of any Vessel by the Secretary at foreclosure proceedings or other public sale, after the time of acquisition of title at such foreclosure proceedings or other public sale);

(3) an amount equal to the amount of interest which is due and payable upon the Secretary's Note;

(4) an amount equal to the amount of principal which is due or will become due and payable upon the Secretary's Note;

after deducting therefrom all credits, if any, under Section 1108(b) of the Act and all cash payments theretofore made to the Secretary on account of said items; and such interest shall be discharged and satisfied in full before discharging and satisfying any interest of the Shipowner.

Section 7.02. The Interest of the Shipowner. The interest of the Shipowner, including its interest for the purpose of asserting, protecting, pursuing or enforcing any or all of the rights in or under the Increased Security, and any cash, securities or other property (other than property purchased by the Secretary at foreclosure proceedings or other public sale, and any payments or receipts from the requisition, sale, charter, operation or other use or disposition of any such property accrued after the time of acquisition of title at such proceedings or sale, all of which property, payment or receipts shall as stated above belong to and vest exclusively in the Secretary), which may at any time be collected, received, realized or held by or for the Secretary (or others) in respect thereof (including payments referred to in Section 6.04(b)(4), and any excess Guarantee Fee held by the Secretary and not refundable to the Shipowner under Section 3.02), shall, except as otherwise provided in the Special Provisions hereof, be a residual interest after full discharge and satisfaction of the interest of the Secretary, as provided in Section 7.01, and the Secretary shall promptly pay or otherwise account therefor to the Shipowner.

Section 7.03. Interest in Funds Held by the Indenture Trustee. The Secretary shall at no time have any right or interest in or in respect of (i) any funds held at any time by the Indenture Trustee under the Indenture for payment of the Obligations or (ii) any funds held by the Indenture Trustee in respect of Obligations which shall have been Retired or Paid within the meaning of the Indenture.

Exhibit 1 to Security Agreement

ARTICLE VIII

Amendments and Supplements to the Security Agreement, Mortgage, Indenture and Charter

Section 8.01. Amendments and Supplements to the Security Agreement and the Mortgage. This Security Agreement and the Mortgage may not be amended or supplemented orally but may be amended or supplemented from time to time by an instrument in writing executed by the Shipowner and the Secretary.

Section 8.02. Waiver of Security Agreement Provisions. The benefits to or rights of the Secretary under any provision of this Security Agreement may be waived in writing by the Secretary either upon Request by the Shipowner or in his discretion with 15 days' prior notice.

Section 8.03. Amendments and Supplements to the Indenture and Charter. Notwithstanding any provisions of the Indenture or the Charter, the Shipowner agrees that no amendments or supplements will be made to the Indenture or the Charter without the prior written consent of the Secretary and any purported action or attempt to take action forbidden to be taken by this Section shall be null and void and of no force or effect.

ARTICLE IX

Consolidation, Merger and Sale

Section 9.01. Consolidation, Merger and Sale, etc. (a) Nothing in this Security Agreement or the Mortgage shall prevent any lawful consolidation or merger of the Shipowner with or into any other Person or any sale of any Vessel to any other Person lawfully entitled to acquire or operate such Vessel; provided that, the Secretary shall have given his prior written consent to such succession, merger, consolidation or sale.

(b) The Person formed by or surviving such consolidation or merger (herein called the "Successor"), shall, by indenture supplemental to the Indenture, and by instrument amending or supplementing this Security Agreement, and the Mortgage, as may be necessary, expressly assume the payment of the principal of (and premium, if any) and interest on the Outstanding Obligations in accordance with the terms of the Obligations, shall execute and deliver to the Secretary a Secretary's Note in form satisfactory to the Secretary, shall expressly assume the payment of the principal of and interest on the Secretary's Note, and also shall expressly assume the performance of the agreements of

Exhibit 1 to Security Agreement

the Shipowner in the Indenture, this Security Agreement and the Mortgage.

(c) With the prior written consent of the Secretary, any such sale may be on such terms as to release the Shipowner immediately prior to such sale from all its obligations under the Indenture, the Proportionate Outstanding Obligations, this Security Agreement, the Mortgage and the Secretary's Note. In such event, the Secretary, if so requested by the Shipowner, and as may be necessary, shall execute and delivery such instruments as may be deemed by the Shipowner to be reasonably necessary or appropriate to give effect to and confirm such release.

(d) Upon any such consolidation, merger, appointment or designation, (A) the Successor shall succeed to and be substituted for the Shipowner with the same effect as if it had been named herein and (B) the Secretary shall consent to the surrender of the document of any Vessels pursuant to Subsection O of the Ship Mortgage Act, 1920, as amended; provided that, concurrently with such surrender, such Vessels shall be redocumented under the laws of the United States and all endorsements necessary and proper to preserve the preferred status of the Mortgage shall be made upon the new document of such Vessels, when issued.

ARTICLE X

Notices

Section 10.01. Notices. Except as otherwise provided in this Security Agreement or by the Act, all notices, requests, demands, directions, consents, waivers, approvals or other communications may be made or delivered in person or by registered or certified mail, postage prepaid, addressed to the party at the address of such party specified in the Special Provisions hereof, or at such other address as such party shall advise each other party by written notice, and shall be effective upon receipt by the addressee thereof.

Section 10.02. Waivers of Notice. In any case where notice by publication, mail or otherwise is provided for by this Security Agreement, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be deemed the equivalent of such notice.

Section 10.03. Change of Name. The Shipowner shall not change its name without first notifying the Secretary of the new name and the change in address, if any.

Exhibit 1 to Security Agreement

ARTICLE XI

Discharge of Security Agreement and
the Mortgage

Section 11.01. Discharge of Security Agreement and the Mortgage. (a) If the Obligations and the related Secretary's Note shall have been satisfied and discharged and if the Shipowner shall pay or cause to be paid all other sums that may have become secured under this Security Agreement and the Mortgage, then this Security Agreement, the Mortgage and the liens, estate and rights and interests hereby and thereby granted shall cease, determine, and become null and void, and the Secretary, on Request of the Shipowner and at the Shipowner's cost and expense, shall forthwith cause satisfaction and discharge of this Security Agreement and the Mortgage to be entered upon its and other appropriate records and shall execute and deliver to the Shipowner such instruments as may be necessary, duly acknowledging the satisfaction and discharge of this Security Agreement and the Mortgage, and forthwith the estate, right, title and interest of the Secretary in and to the Security, the Increased Security and any other securities, cash, and any other property held by it under this Security Agreement and the Mortgage shall thereupon cease, determine and become null and void, and the Secretary shall transfer, deliver and pay the same to the Shipowner.

(b) If all of the Guarantees on the Outstanding Obligations shall have been terminated pursuant to Section 3.05(2) or (4), the Secretary shall assign forthwith to the Shipowner, this Security Agreement, the Mortgage and the liens, estate, rights and interests hereby and thereby granted.

ARTICLE XII

Miscellaneous

Section 12.01. Successors and Assigns. All the covenants, promises, stipulations and agreements of the Shipowner in this Security Agreement shall bind the Shipowner and its successors and assigns and shall inure to the benefit of the Secretary and his successors and assigns, and all the covenants, promises, stipulations and agreements of the Secretary in this Security Agreement shall bind the Secretary and his successors and assigns, and shall inure to the benefit of the Shipowner, and its successors and assigns, whether so expressed or not. This Security Agreement is for the sole benefit of the Shipowner, the Secretary and their respective successors and assigns, and no other Person shall have any right hereunder.

Exhibit 1 to Security Agreement

Section 12.02. Execution in Counterparts. This Security Agreement may be executed in any number of counterparts. All such counterparts shall be deemed to be originals and shall together constitute but one and the same instrument.

Section 12.03. Rights of Shipowner in Absence of Default. Except during the existence of a Default (unless the Shipowner shall have failed to perform any of its agreements under Section 2.04 or the Charterer shall have failed to perform any of its agreements under the Charter and such failure shall be continuing at the time in question), the Shipowner (1) shall be suffered and permitted to retain actual possession and use of the Vessels and (2) shall have the right, from time to time, in its discretion and without the consent of or release by the Secretary, to dispose of, free from the lien hereof and of the Mortgage, any and all engines, boilers, machinery, masts, boats, anchors, cables, chains, rigging, tackle, apparel, furniture, capstans, outfit, tools, pumps, pumping and other equipment, and all other appurtenances to the Vessels, and also any and all additions, improvements and replacements in or to the Vessels or said appurtenances, after, except with the prior written consent of the Secretary, first or simultaneously replacing the same with items of at least substantially equal value.

Section 12.04. Surrender of Vessel's Documents. The Secretary shall consent to the surrender of each Vessel's documents in connection with any redocumentation of such Vessel required on account of alterations to such Vessel which, as stated in an Officer's Certificate delivered to the Secretary, are not prohibited by this Security Agreement and by the Mortgage.

Section 12.05. No Waiver of Preferred Status. No provision of this Security Agreement or of the Mortgage shall be deemed to constitute a waiver by the Secretary of the preferred status of the Mortgage given by Subsection M of the Ship Mortgage Act, 1920, as amended, and any provision of this Security Agreement or of the Mortgage which would otherwise constitute such a waiver shall to such extent be of no force or effect.

Section 12.06. Regulations Inapplicable. None of the regulations heretofore or hereafter issued, whether or not under Title XI of the Act, is a part of or affects this Security Agreement in any respect, and the provisions of this Security Agreement shall control notwithstanding the provisions of any such regulations.

Section 12.07. Table of Contents, Titles and Headings. The table of contents, the titles of the Articles and the headings of the Sections are not a part of this Security Agreement and shall

Exhibit 1 to Security Agreement

not be deemed to affect the meaning or construction of any of its provisions.

**EXHIBIT 2 to
SECURITY AGREEMENT**

Secured Note

**THE CONNECTICUT BANK AND TRUST COMPANY,
NATIONAL ASSOCIATION, acting not in its individual
capacity but solely as owner trustee under the
Trust Agreement dated as of April 1, 1981, as
amended, between it and New England Merchants
Leasing Corporation B-7**

Secured Note due December 31, 2000

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, acting not in its individual capacity but solely as owner trustee under the Trust Agreement dated as of April 1, 1981, as amended, between it and New England Merchants Leasing Corporation B-7 (in its capacity as such owner trustee, the "Shipowner"), hereby promises to pay to NEMLC Leasing Corporation, a Massachusetts corporation (the "Loan Participant"), the principal sum of Three Million Two Hundred Sixteen Thousand Dollars (\$3,216,000), together with interest on the amount of said principal sum remaining unpaid from time to time (calculated in arrears on the basis of a 365 or 366-day year, as the case may be,) from the date hereof until such principal sum shall have been paid in full at the rate of 13.05% per annum.

1. Payments. This Secured Note shall be payable in twenty-four (24) consecutive semiannual installments of interest and principal on June 30 and December 31 of each year (the "Payment Dates"), commencing on June 30, 1989. Each installment shall be in an amount equal to the sum of the interest hereon accrued and unpaid to the date of such installment plus an amount equal to the product obtained by multiplying (i) the percentage set forth in the following table opposite the number of such installment (subject to reduction as

provided in Section 4.04 of the Security Agreement referred to below in the event of a prepayment in part) times (ii) the original principal amount of this Secured Note:

<u>Number of Installment</u>	<u>Percentage</u>	<u>Number of Installment</u>	<u>Percentage</u>
1.	3.63745958	13.	3.84288961
2.	1.91730379	14.	4.09363806
3.	2.04240796	15.	4.36074813
4.	2.17567506	16.	4.64528700
5.	2.31763775	17.	4.94839179
6.	2.46886381	18.	5.27127456
7.	2.62995709	19.	5.61522512
8.	2.80156188	20.	5.98161847
9.	2.98436350	21.	6.37191915
10.	3.17909328	22.	6.78768688
11.	3.38652923	23.	7.23058333
12.	3.60750031	24.	7.70238464

provided, however, that the final such installment of interest and principal shall be in such amount as is sufficient to discharge the interest hereon accrued and unpaid and the unpaid principal hereof.

2. Interest on Late Payment. This Secured Note to the extent permitted by applicable law shall bear interest at 14.05% per annum, computed on the basis of a 365 or 366-day year, as the case may be, over the actual number of days elapsed, on any part of the principal hereof or interest hereon not paid when due for any period during which the same shall be overdue (but in no event shall such rate exceed the maximum permitted by applicable law).

3. Security Agreement and Mortgage. This Secured Note is issued under and secured by, a Security Agreement dated February 24, 1989 (the "Security Agreement") and a First Preferred Fleet Mortgage dated February 24, 1989 (the "Mortgage"), executed in each case by the Shipowner and the Loan Participant. Reference is hereby made to the Security Agreement, the Mortgage and all supplements thereto for a description of the Security and the rights of the Shipowner and the Loan Participant in respect of the Security. The terms defined in the Security Agreement and not otherwise defined herein are used herein with the same meanings.

4. Limited Recourse. All payment of principal and interest to be made hereunder shall be made only from the income and proceeds from the Security and only to the extent that the Shipowner shall have actually received sufficient income or proceeds from the Security to make such payments in accordance with the Security Agreement. The Loan Participant, by its

acceptance of this Secured Note, agrees that it will look, as against the proceeds from the Security to the extent available for distribution to it in accordance with the terms of the Security Agreement, and that neither the Shipowner nor any Affiliate of the Shipowner nor the Owner Participant nor any Affiliate of the Owner Participant is personally liable to the Loan Participant for any amounts payable under this Secured Note or the Security Agreement or the Mortgage, nor to return any sums properly distributed to the Shipowner or the Owner Participant in accordance with the terms of the Security Agreement.

5. Manner of Payment. Principal hereof and interest hereon shall be paid in immediately available funds at the office of the Loan Participant without presentment of this Secured Note; provided, however, that in the event this Secured Note is prepaid in whole it shall be presented to the Shipowner for cancellation; and provided, further, that on the date of the final semiannual installment payable hereon, this Secured Note shall be surrendered to the Shipowner for cancellation if duly paid in full as aforesaid.

6. Prepayments. As provided in Section 4.05 of the Security Agreement, and subject to the provisions thereof, this Secured Note may be prepaid at any time in whole, or at any time and from time to time in part, at the option of the Shipowner, at the unpaid principal amount to be so prepaid together with interest, if any, on such amount accrued and unpaid to the date fixed for prepayment and without premium. As provided in Section 2.09 and Article IV of the Security Agreement, this Secured Note is also subject to prepayment in whole or in part at the unpaid principal amount hereof together with interest hereof, if any, accrued and unpaid to the date fixed for prepayment and without premium in the event of termination of the Charter with respect to any Vessel or Cover in accordance with the provisions of Sections 8(c), 14, 17 or 28 thereof.

7. Acceleration. Upon the occurrence of a Default, the principal amount of this Secured Note may be declared immediately due and payable upon the conditions and in the manner and with the effect provided in the Security Agreement.

IN WITNESS WHEREOF, the Shipowner has caused this Secured Note to be duly executed on its behalf by a duly authorized officer.

Dated: February 24, 1989

THE CONNECTICUT BANK AND TRUST COMPANY, National Association acting not in its individual capacity but solely as owner trustee under the Trust Agreement dated as of April 1, 1981, as amended, between it and New England Merchants Leasing Corporation B-7

By: _____

**EXHIBIT 3 to
SECURITY AGREEMENT**

**First Preferred Fleet
Mortgage**

FIRST PREFERRED FLEET MORTGAGE (NM-1)

Dated February 24, 1989

from

**THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION
not in its individual capacity but
solely as owner trustee,**

Shipowner

to

NEMLC LEASING CORPORATION

Mortgagee

20 Box Hopper Barges with Roll Top Covers

FIRST PREFERRED FLEET MORTGAGE

20 Box Hopper Barges with Roll Top Covers

THIS FIRST PREFERRED FLEET MORTGAGE is made and dated February 24, 1989, by THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not in its individual capacity but solely as owner trustee under the Trust Agreement dated as of April 1, 1981, as amended, between New England Merchants Leasing Corporation B-7 (the "Owner Participant") and it (the "Shipowner"), to NEMLC LEASING CORPORATION, a Massachusetts Corporation (the "Mortgagee").

W I T N E S S E T H :

RECITALS

A. This is a first preferred fleet mortgage that covers the whole of the following vessels (the "Vessels"), as more fully described in the Granting Clause hereof:

<u>Name of Vessel</u>	<u>Official Number</u>
DM 2801	633859
DM 2802	633860
DM 2803	633861
DM 2804	633862
DM 2805	633863
DM 2806	633864
DM 2807	633865
DM 2808	633866
DM 2809	633867
DM 2810	633868
DM 2811	633869
DM 2812	633870
DM 2813	633871
DM 2814	633872
DM 2815	633873
DM 2816	633874
DM 2817	633875
DM 2818	633876
DM 2819	633877
DM 2820	633878

Each of the Vessels has been duly documented in the name of the Shipowner under the laws of the United States.

B. The full name and address of the Shipowner is:

The Connecticut Bank and Trust Company,
National Association,
not in its individual capacity but solely
as trustee under a Trust Agreement dated
as of April 1, 1981, as amended, with
New England Merchants Leasing Corporation
B-7 as beneficiary
One Constitution Plaza
Hartford, Connecticut 06115
Attention: Corporate Trust Department CTHMA06K

C. The full name and address of the Mortgagee is:

NEMLC Leasing Corporation
28 State Street
P.O. Box 2332
Boston, Massachusetts 02109

D. The Shipowner owns the whole of each of the Vessels.

E. The Shipowner is hereby granting to the Mortgagee a first preferred fleet mortgage covering the whole of each of the Vessels.

F. In April 1981, the Shipowner, acting on behalf of the Owner Participant, bareboat chartered the Vessels to Dravo Mechling Corporation (the name of which has been changed to National Marine, Inc.), a Delaware corporation (the "Charterer") pursuant to a Bareboat Charter dated as of April 1, 1981 (as the same has been and from time to time hereafter may be amended, supplemented or restated, the "Charterer").

G. The Shipowner financed the purchase of the Vessels with the proceeds of a loan from Pittsburgh National Bank. Such loan was refinanced in March 1982 with the proceeds from the issuance of the Shipowner's United States Government Guaranteed Ship Financing Bonds, DMC 1 Series, bearing interest at the rate of 15.05% per annum and maturing on December 31, 2003 (the "Bonds"). The Bonds were

(i) issued under a Trust Indenture dated as of March 18, 1982 between the Mortgagor and Mercantile-Safe Deposit and Trust Company, a Maryland banking corporation, and

(ii) guaranteed by the United States pursuant to guarantees (the "Guarantees") under Title XI of the Merchant Marine Act, 1936, as amended.

H. To induce the United States to issue the Guarantees, the Shipowner entered into a First Preferred Fleet Mortgage dated March 18, 1982, between the Shipowner and the United States covering the Vessels.

I. The Shipowner has purchased and retired all of the issued and outstanding Bonds and on the date hereof the United States has executed and delivered to the Shipowner a Release of Mortgage, which has been filed and recorded on the date hereof at the Office of the Officer in Charge, Vessel Documentation Section, United States Coast Guard, at the Port of New Orleans, Louisiana; and

J. In order to finance the purchase of the Bonds by the Shipowner from the holder thereof, the Shipowner has authorized the issuance to the Mortgagee of its 13.05% Secured Notes due December 31, 2000 (the "Secured Notes"), in an aggregate original principal amount of \$3,216,000; and

K. Pursuant to the terms and provisions of that certain Security Agreement dated as the date hereof between the Shipowner and the Mortgagee (herein, as the same may be amended or supplemented, called the "Security Agreement"), the Shipowner has agreed to execute and deliver this Mortgage to the Mortgagee for the purpose of securing the payment of the principal of and interest on the Secured Notes in accordance with their terms and the terms of the Security Agreement (this Mortgage, as the same may hereafter be amended or supplemented in accordance with the terms hereof, is herein called the "Mortgage").

NOW, THEREFORE, THIS MORTGAGE WITNESSETH:

That, in consideration of the premises and of the additional covenants herein contained and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and as security for the payment of the above-mentioned interest on and principal of the Secured Notes and all other sums that may be secured by this Mortgage and the Security Agreement, and to secure the due performance and observance of all the agreements and covenants in the Secured Notes or herein or in the Security Agreement contained, the Shipowner has granted, conveyed, mortgaged, pledged, confirmed, assigned, transferred and set over, and by these presents does grant, convey, mortgage, pledge, confirm, assign, transfer and set over, unto the Mortgagee, the whole of those certain box hopper barges with roll top covers of approximately 1223.97 gross tons and approximately 1223 net tons, each built in 1981 at Neville Island, Pennsylvania, designated as follows:

Name of VesselOfficial Number

DM 2801	633859
DM 2802	633860
DM 2803	633861
DM 2804	633862
DM 2805	633863
DM 2806	633864
DM 2807	633865
DM 2808	633866
DM 2809	633867
DM 2810	633868
DM 2811	633869
DM 2812	633870
DM 2813	633871
DM 2814	633872
DM 2815	633873
DM 2816	633874
DM 2817	633875
DM 2818	633876
DM 2819	633877
DM 2820	633878

all duly documented in the name of the Shipowner under the laws of the United States, together with all of their engines, boilers, machinery, masts, boats, anchors, capstans, outfit, tools, pumps, pumping and other equipment and all other appurtenances now or at any time hereafter appertaining or belonging thereto and whether on board or not on board, and also any and all additions, improvements and replacements hereafter made in or to the said box hopper barges and roll top covers or their appurtenances as aforesaid (said box hopper barges and roll top covers, together with all the foregoing, herein called the "Vessels").

TO HAVE AND TO HOLD, all and singular, the above mortgaged and described property unto the Mortgagee, to its own use, benefit and behoof forever;

PROVIDED, HOWEVER, and these presents are upon the condition that, if the above-mentioned principal of and interest on the Secured Notes are paid or satisfied in accordance with the terms thereof and of the Security Agreement, and all other sums that may be secured by the Security Agreement and this Mortgage are paid in accordance with their terms, then this Mortgage and the estate and rights hereunder shall cease, determine and be void, but otherwise this Mortgage shall remain in full force and effect.

The Shipowner hereby agrees with the Mortgagee that the Vessels now or at any time subject to the lien of this Mortgage

are to be held by the Mortgagee subject to the further agreements and conditions hereinafter set forth.

ARTICLE FIRST

Section 1. The execution and delivery of this Mortgage and the execution and delivery of the Secured Notes have each been duly authorized by the Shipowner and are not in contravention of any indenture or undertaking to which the Shipowner is a party or by which it is bound.

Section 2. All of the covenants and agreements on the part of the Shipowner including, without limitation, those relating to maintenance of United States citizenship, organization and existence of the Shipowner, title to and possession of each Vessel; material changes in each Vessel; compliance with applicable laws; maintenance of marine insurance; requisition of title; and compliance with Charter 313, which are set forth, and all of the rights, immunities, powers and remedies of the Mortgagee which are provided for, in the Security Agreement (including the Special Provisions thereof and the General Provisions of Exhibit 1 thereto) together with all other provisions of the Security Agreement, except for the Granting Clause thereof, are incorporated herein by reference with the same force and effect as though set forth at length in this Mortgage and true copies of the form of the Special Provisions of, and Exhibit 1 to, the Security Agreement are annexed hereto.

Section 3. A Default (as defined in the Security Agreement) shall constitute a default hereunder and shall give the Mortgagee the rights and remedies established by Chapter 313, as provided in the Security Agreement.

Section 4. This instrument is executed as and shall constitute an instrument supplemental to the Security Agreement and shall be construed in connection with, and as a part of, the Security Agreement.

ARTICLE SECOND

Section 1. This Mortgage may be executed in any number of counterparts and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

Section 2. All the covenants, promises, stipulations and agreements of the Shipowner in this Mortgage shall bind the Shipowner and its successors and assigns and shall inure to the benefit of the Mortgagee and its successors and assigns, and all the covenants, promises, stipulations and agreements of the Mortgagee contained herein shall bind the Mortgagee and its successors and assigns and shall inure to the benefit of the

Shipowner and its successors and assigns, whether so expressed or not.

Section 3. Any term used herein which is defined in the Security Agreement and which is not specifically defined herein shall have the meaning specified in the Security Agreement unless the context herein otherwise requires.

Section 4. No provision of this Mortgage or of the Security Agreement shall be deemed to constitute a waiver by the Mortgagee of the preferred status of the Mortgage given by Chapter 313, and any provision of this Mortgage or of the Security Agreement which would otherwise constitute such a waiver shall to such extent be of no force or effect.

Section 5. If the Secured Notes shall have been satisfied and discharged and if the Shipowner shall pay or cause to be paid all other sums that may have become secured under the Security Agreement and this Mortgage, then this Mortgage and the estate and rights hereunder shall cease, determine, and become null and void; and the Mortgagee, on the Request of the Shipowner and at the Shipowner's cost and expense, shall forthwith cause satisfaction and discharge of this Mortgage to be entered upon its and other appropriate records and shall execute and deliver to the Shipowner such instruments as may be necessary, duly acknowledging the satisfaction and discharge of this Mortgage.

ARTICLE THIRD

For purposes of 46 U.S.C. 31321(b)(3), the amount of the direct or contingent obligations that are or may be secured by this Mortgage, excluding interest, expenses and fees is Three Million Two Hundred Sixteen Thousand Dollars (\$3,216,000).

ARTICLE FOURTH

All of the statements, representations, covenants and agreements made by The Connecticut Bank and Trust Company, National Association (or any entity acting as successor trustee) in its capacity as trustee under the Trust Agreement or in its individual capacity, or made by any officer of The Connecticut Bank and Trust Company, National Association (or any entity acting as successor trustee), and contained in this Mortgage, the Security Agreement or the documents delivered with respect thereto and all documents constituting part of the Security while in form purporting to be made by The Connecticut Bank and Trust Company, National Association (or any entity acting as successor trustee) in its capacity as trustee under the Trust Agreement or in its individual capacity or made by such officer, are, except to the extent expressly provided below in this Article Fourth, nonetheless made and intended only for the purpose of binding the Security and establishing the existence of rights and remedies

provided for in this Mortgage, the Security Agreement and such other documents which can be exercised and enforced against the Security. Therefore, anything contained in any of the aforesaid documents to the contrary notwithstanding, no recourse shall be had for the payment of the principal of, or the interest on, the Secured Notes or the payment of any other amounts due under this Mortgage or the Security Agreement, or shall be had for any claim based on any provision of any of the documents referred to in the preceding sentence hereof, against The Connecticut Bank and Trust Company, National Association (or any entity acting as successor trustee) in its capacity as trustee under the Trust Agreement or in its individual capacity or against the Owner Participant, and neither The Connecticut Bank and Trust Company, National Association (or any such entity acting as such successor trustee) nor the Owner Participant (as opposed to the Security) shall have any personal obligation, liability or duty whatsoever to the Mortgagee or any other Person for or with respect to any such payment, the performance of or compliance of any statement or representation made in any such document (including, without limitation, in the case of the Owner Participant, any liability for any action, inaction or conduct whatsoever of The Connecticut Bank and Trust Company, National Association in its capacity as trustee (or any entity acting as successor trustee) under the Trust Agreement or otherwise), except, only in the case of The Connecticut Bank Trust Company, National Association (or any entity acting as such successor trustee), liability for its own gross negligence or wilful misconduct. Nothing contained in this Article Fourth shall be construed to limit the exercise and enforcement, in accordance with the terms of this Mortgage, the Security Agreement, the Secured Notes, and the other documents constituting part of the Security, of the rights and remedies of the Mortgagee against the Security.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, this First Preferred Fleet Mortgage has been executed and delivered as of the day and year first above written.

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not in its individual capacity but solely as owner trustee as aforesaid,

Shipowner

By _____

NEMLC LEASING CORPORATION,

Mortgagee

BY _____

COMMONWEALTH OF MASSACHUSETTS)
) : ss.:
COUNTY OF SUFFOLK)

On this ____ day of February, 1989, before me personally appeared _____, to me known, who, being by me duly sworn, did depose and say that he resides at _____; that he is an Assistant Vice President of The Connecticut Bank and Trust Company, National Association, the corporation described in and which executed the foregoing instrument; by authority of resolutions adopted by the Board of Directors of The Connecticut Bank and Trust Company, National Association.

Notary Public

(Notarial Seal) My commission expires:

COMMONWEALTH OF MASSACHUSETTS)
) : ss.:
COUNTY OF SUFFOLK)

On this ____ day of February, 1989, before me personally appeared _____, to me known, who, being by me duly sworn, did depose and say that he resides at _____; that he is a Vice President of NEMLC Leasing Corporation, the corporation described in and which executed the foregoing instrument; by authority of resolutions adopted by the Board of Directors of NEMLC Leasing Corporation.

Notary Public

(Notarial Seal)

My commission expires:

List of Exhibits to First Preferred Fleet Mortgage

1. Security Agreement
2. Secured Note
3. [omitted]
4. Construction Contract
5. Bareboat Charter, as amended
6. Participation Agreement, as amended
7. Refinancing Agreement
8. Assignment of First Preferred Fleet Mortgage covering the Collateral Vessels
9. Assignment of Second Preferred Fleet Mortgage covering the Collateral Vessels

**EXHIBIT 4 to
SECURITY AGREEMENT**

Construction Contract



August 27, 1980

Mr. L. E. Sutton, President
Dravo Mechling Corporation
One Oliver Plaza
Pittsburgh, Pennsylvania 15222

IN TRIPLICATE

Subject: Twenty (20) 200' x 35' x 12' Box Hopper
Barges with Roll Top Covers

Dear Les,

In accordance with your inquiry, we are pleased to submit our proposal to design, construct and complete for your use, the Dravo Marine Equipment described herein below.

The barges which we will furnish for your service will be constructed in accordance with the attached Dravo Drawings Nos. 370689 and 370696.

We will furnish the barges as described above for a firm price of:

THREE HUNDRED TWELVE THOUSAND ONE HUNDRED FIFTY DOLLARS - - - (\$312,150.00)

each.

The above price is based upon delivery and acceptance afloat, our landing, Neville Island, Pittsburgh, Pennsylvania. Delivery of the equipment shall begin between February 25, 1981 and March 12, 1981 and complete between April 3, 1981 and April 20, 1981.

This proposal is also subject to the Dravo Standard "Terms and Conditions of Sale-Marine Equipment" dated June, 1978, which are on the reverse side of this page. "Terms of Payment" are subject to approval by Dravo Corporation's Credit Department.

This letter, and any attachments hereto, constitutes our offer to furnish this equipment on the basis of a sale and, upon acceptance of its terms by both parties, will serve as the contract document defining our agreement.



Mr. L. E. Sutton, President
Dravo Mechling Corporation
Pittsburgh, Pennsylvania 15222

Page No. 2

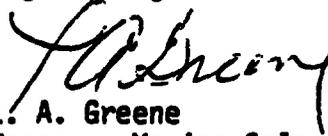
August 27, 1980

The above information is intended to record the entire agreement between parties hereto and supercedes any previous communications unless expressly referred to herein.

We thank you for this opportunity to quote on your marine equipment needs. A signed and accepted copy of this letter in the space provided below will serve as our formal written contract.

Very truly yours,

DRAVO CORPORATION
Engineering Works Division


L. A. Greene
Manager, Marine Sales

LAG/jld

Enclosures

ACCEPTED: DRAVO MECHLING CORP.
BY: L. E. Sutton
TITLE: President
DATE: 8/27/80

ACCEPTED: DRAVO CORPORATION
BY: J. P. Contract Management
TITLE: J.P. Contract Management
DATE: 9/11/80



October 8, 1980

Dravo Contract W-4192
Twenty 200' x 35' x 12' Box-Type
Hopper Barges with Roll Top Covers

Mr. L. E. Sutton
Dravo Mechling Corporation
One Oliver Plaza
Pittsburgh, Pennsylvania 15222

Dear Les:

Enclosed is a fully executed copy of our contract dated August 27, 1980 for your files.

We have assigned the Dravo Contract Number W-4192 and Hull Numbers 8231 thru 8250 to the subject barges. Please assign your barge operating name or number to the Dravo hull numbers and notify me of this assignment at your earliest convenience.

Also we will need the designated "Home Port" which will be painted on the barge and whether or not you wish to document the barges with the U.S. Coast Guard.

Also we have been advised that you have requested an ABS Limited Route Load Line on the subject barges and have accepted our quotation of \$950.00 per barge for said contract change.

Very truly yours,

Edward P. Bannon
Project Manager

pap

Enclosure

Dravo Mechling
One Oliver Plaza
Pittsburgh, PA 15222
412 586-3917

Les Sutton
President

A Dravo Company

September 2, 1980

Mr. J. L. Miller
Vice President
Contract Management
Dravo Corporation
4800 Grand Avenue
Pittsburgh, Pa. 15225

Dear Mr. Miller:

Proposals submitted in response to our legal advertisement requesting bids for performing our proposed Contract Serial No. 100 were opened at 12:00 Noon on August 27, 1980.

This is to inform you that we hereby accept your bid for the construction and delivery of twenty (20) identical all welded, steel, box hopper barges (designed for covers), in accordance with proposed Contract Serial No. 100 for \$312,150. Performance bond will not be required.

Pursuant to the Code of Federal Regulations applicable to Section 10 of the Clayton Anti-trust Act, it is now your obligation to execute and deliver Contract Serial No. 100 in accordance with your proposal within ten (10) days after this acceptance date.

Very truly yours,

L. E. Sutton

L. E. Sutton
jm

Dravo

Internal Correspondence

G-382

To H. W. Ingram Location OOP Date 4/ 1/81
From E. P. Bannon Location N-2 Page No. 1 of .
Subject W-4192 — MODIFICATION TO WHEELS OF BARGE COVERS

cc: Messrs. L. A. Greene M. P. Ballough W-4192
C. van Mook G. F. Rozzi

Please accept this memo as confirmation of our agreement for EWD to proceed with the following changes to the subject covers:

1. Disassemble wheels from port side wheel boxes and install an A.S.E. washer (3" O.D. x 1-9/16" I.D. x 5/32" thick) on each side of the wheel to retain seals and bearing. (Tack weld washer to hub of wheel.)
2. Disassemble wheels from starboard side wheel boxes, remove the seals and tack weld spacers in wheel bore.

The agreed upon contract price increase for the foregoing changes is \$1,900.00 per barge. This memo supercedes my memo of March 30, 1981 by revising the modification to the starboard wheels.

Please sign the enclosed copy denoting your acceptance of our agreement and return it to me for our files.

E. P. Bannon
E. P. Bannon
pap

ACCEPTED FOR: Dravo Mechling Corporation

ACCEPTED BY: Harry W. Ingram

DATE: 4-4-81



April 13, 1981

Dravo Contract W-4192
Twenty 200' x 35' x 12' Box-Type
Hopper Barges with Roll Top Covers

Mr. L. E. Sutton
President
Dravo Mechling Corporation
One Oliver Plaza
Pittsburgh, Pennsylvania 15222

Dear Les:

Certain provisions of Contract W-4192 need to be amended in light of the delays in construction that we have experienced. In accordance with our previous discussions, please be advised that the Contract W-4192, dated August 27, 1980, is hereby amended to provide that: deliveries of the subject barges will commence during the week of April 20, 1981 and will be completed by May 8, 1981, and no penalties or damages shall be assessable for failure to make earlier deliveries. Additionally, Contract W-4192 is hereby further amended to expressly incorporate the following (which generally were part of our original understanding): (i) deliveries shall be in an initial group of 8 barges and then in two successive groups of 6 barges each, (ii) we agree to paint your insignia and identifying numbers on each barge prior to delivery, (iii) until delivery as scheduled above and acceptance afloat our landing, Neville Island, title and the risk of loss on the barges shall remain with us.

Please acknowledge agreement to the foregoing by signing as indicated below.

Very truly yours,

DRAVO CORPORATION
Engineering Works Division

J. L. Miller
Vice President - Contract Management

ACCEPTED AND AGREED TO:
DRAVO MECHLING CORPORATION

BY L. E. Sutton
L. E. Sutton

**EXHIBIT 5 to
SECURITY AGREEMENT**

**Bareboat Charter, as
amended**

MAR 18 1982 - 10 45 AM

INTERSTATE COMMERCE COMMISSION

AMENDED AND RESTATED

BAREBOAT CHARTER

Dated as of March 18, 1982

between

THE CONNECTICUT BANK AND TRUST COMPANY,
not in its individual capacity but solely
as owner trustee,

as Shipowner

and

DRAVO MECHLING CORPORATION,

as Charterer

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* This Index is not part of this Bareboat Charter

**AMENDED AND RESTATED
BAREBOAT CHARTER**

THIS AMENDED AND RESTATED BAREBOAT CHARTER dated as of March 18, 1982 between THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as owner trustee under the Trust Agreement (the "Shipowner"), dated as of April 1, 1981, as amended, between it and New England Merchants Leasing Corporation B-7, and DRAVO MECHLING CORPORATION, a Delaware corporation, having its principal place of business at One Oliver Plaza, Pittsburgh, Pennsylvania 15222.

WITNESSETH:

WHEREAS, as provided in Section 27 hereof, the capitalized terms used herein which are defined in Schedule X to the Security Agreement dated the date hereof, between the Shipowner and the United States of America, Contract No. MA-10781, or by reference therein to other agreements or instruments shall, unless otherwise defined herein, have the respective meanings stated in said Schedule X or such other agreements or instruments.

WHEREAS, the Shipbuilder has entered into the Construction Contract with the Charterer providing for the construction of twenty box hopper barges Hull Nos. 8231 through 8250 together in each case with its related set of roll top covers;

WHEREAS, as contemplated by the Participation Agreement the Charterer has assigned to the Shipowner its rights under the Construction Contract pursuant to the Construction Contract Assignment and the Shipowner has purchased the Vessels;

WHEREAS, in order to assist the financing of such purchase, the Shipowner proposes to issue United States Government Guaranteed Ship Financing Bonds pursuant to the Commitment to Guarantee Obligations, which Obligations will be secured in part the Mortgage and by the Security Agreement; and

WHEREAS, the Shipowner bareboat chartered the Vessels to the Charterer pursuant to the Bareboat Charter, dated as of April 1, 1981, which Bareboat Charter the Shipowner and Charterer desire to amend and restate as set forth herein.

NOW, THEREFORE, the Shipowner agrees to let and demise, and the Charterer agrees to hire, the Vessels (or such of them

as have been purchased by the Shipowner in accordance with the provisions of the Participation Agreement, the Construction Contract and the Construction Contract Assignment) on the following terms and conditions:

Section 1. The Charter Period. The period of this Charter shall commence on the Delivery Date of the first of the Vessels to be delivered to the Shipowner pursuant to the Participation Agreement, the Construction Contract and the Construction Contract Assignment and shall continue through and including December 31, 2003. The period of this Charter for any particular Vessel shall commence on the Delivery Date thereof after execution and delivery by the Shipowner and the Charterer of a Charter Supplement with respect thereto substantially in the form of Schedule One hereto. The Charter Period shall be subject to earlier termination with respect to one or more Vessels or Covers as provided in Sections 8(c), 14, 17, 20 and 28 hereof, and shall be extended with respect to one or more Vessels:

(a) for any period required to effect redelivery as described in Section 16 hereof, including completion of any loaded voyage in progress at midnight (New Orleans time) on the last day of the Charter Period (which loaded voyage shall be deemed to commence on tender of notice of readiness to load); provided, however, that for any extension of the Charter Period by reason of completion of any such loaded voyage in progress, Charterer shall pay hire as provided in Section 16(b) hereof;

(b) for any period during which any Vessel shall be out of service for repairs or maintenance for more than thirty (30) consecutive days during the Charter Period; provided, however, that (i) the total extension of the Charter Period by reason of any and all such periods during which a Vessel shall be out of service shall not exceed 180 days, (ii) promptly after the end of any such period during which a Vessel shall be out of service, and also prior to the end of the Charter Period, the Charterer shall have given the Shipowner written notice of such periods during which the Vessel shall be out of service and the extent thereof, (iii) not later than the end of the Charter Period, the Charterer may, upon 90 days written notice to the Shipowner, elect not to treat any portion of or all such periods during which a Vessel shall be out of service as an extension of the Charter Period and (iv) for any extension of the Charter Period by reason of such period or periods during which a Vessel shall be out of service, the Charterer shall pay hire at a daily charter

rate equal to the Basic Charter Hire of the Vessel or Vessels with respect to which the Charter Period has been extended applicable to the Charter Hire Payment Date immediately preceding such extension divided by 180, or pro rata for periods less than a day; and

(c) for any period for which this Charter shall be renewed pursuant to Section 21(a) hereof.

Section 2. Subordination and Assignment of Charter.

(a) Subject to the terms of Section 6.07 of Exhibit 1 to the Security Agreement, the Charterer agrees that this Charter is and shall be in all respects always subject and subordinate to the provisions of the Mortgage and the terms and conditions thereof. The Shipowner shall not, so long as no Event of Default has occurred and is continuing hereunder, take any action contrary to the Charterer's rights under this Charter, including without limitation the right to possession and use of any of the Vessels, and the right to renew this Charter under the renewal option hereunder, except in accordance with this Charter. The Charterer further agrees that, at any time and from time to time upon the Shipowner's request, the Charterer will execute and deliver such further documents and do such other acts and things as the Shipowner may reasonably request in order to effect further the purposes of this subordination and of the rights herein provided.

(b) The Charterer hereby specifically consents to the mortgage, pledge and assignment effected or to be effected by the Mortgage and the Security Agreement and to all the security interests contemplated thereby and by the Participation Agreement. The Charterer agrees to execute and deliver any further consents and acknowledgements with respect to any such mortgage, pledge, assignment or security interest as the Shipowner or such assignee may request. The rights of the Secretary shall not be subject to any defense, counterclaim or set-off which the Charterer does or may have against the Shipowner.

Section 3. Hire. (a) The Charterer will pay to the Shipowner, or as the Shipowner may direct, subject to the provisions of Section 3(i) hereof during the Charter Period, forty-four (44) installments of Basic Charter Hire, payable semi-annually in arrears, the first 22 of which shall equal 5.12293% of Shipowner's Cost for all of the Vessels and the remaining 22 of which shall equal 6.261353% of Shipowner's Cost for all of the Vessels, the first such installment being due on June 30, 1982 and subsequent installments thereof being due on each December 31 and June 30 thereafter through and including

December 31, 2003.

In payment of a portion of any payment of Basic Charter Hire then due Charterer may receive a credit in the amount of the principal amount of any Obligations purchased by the Charterer and surrendered to the Shipowner for application by the Shipowner in satisfaction of the mandatory sinking fund redemption of such Obligations occurring on such Charter Hire Payment Date. The maximum amount of the credit allowable on any Charter Hire Payment Date shall be the principal amount of Obligations to be redeemed on such Charter Hire Payment Date. In the event Charterer elects to exercise its rights hereunder to receive credit for Obligations purchased by the Charterer, Charterer shall give the Shipowner at least 60 days prior written notice of such election and shall deliver to the Shipowner such Obligations immediately upon the purchase thereof, which Obligations shall then be applied as a credit on the next following Charter Hire Payment Date and the Shipowner shall apply such reacquired Obligations as a credit against the mandatory sinking fund requirement. If the Charterer does not elect by the 60th day prior to a Charter Hire Payment Date to purchase Obligations and to receive credit for them against the payment of Basic Charter Hire on such Charter Hire Payment Date, then the Shipowner may between the 60th and the 45th day prior to such Charter Hire Payment Date give the Charterer written notice of the Shipowner's intention to purchase Obligations and to apply them in satisfaction of the next following mandatory sinking fund payment. The Charterer agrees to consent to any such application for purposes of Article Third (a) of the Indenture. Except as provided in the preceding sentence Shipowner shall not apply such Obligations in satisfaction of any mandatory sinking fund payment.

(b) Termination Values and Stipulated Loss Values are set forth in Schedule Two hereto which is incorporated herein by reference.

(c) In the event a Change occurs, the Hire Factors shall be adjusted in accordance with the applicable provisions of Section 23. of the Participation Agreement.

(d) Each installment of Basic Charter Hire and any payment of Termination Value or Stipulated Loss Value made pursuant to Section 8(c), 14, 17, 20 or 28 hereof shall be paid in such funds and at such time as to be immediately available funds in the hands of the Person to whom such installment or payment is required to be made prior to 11:00 A.M. on the date when such installment or payment is due. Every payment of Supplemental Hire other than Termination Value or Stipulated

Loss Value required under this Charter or the Participation Agreement to be made by the Charterer to the Shipowner, the Owner Participant or the Secretary or any other payment required to be made by the Charterer to any other Person hereunder or thereunder shall be made by bank, cashier or certified check in Pittsburgh Clearing House funds or its equivalent. All payments of Hire shall be free and clear of, and without deduction for, or on account of, any and all present or future taxes, levies, imposts, deductions or other charges whatsoever imposed or levied by any governmental or taxing authority wheresoever located. In the event of any failure on the part of the Charterer to pay any Supplemental Hire, the Shipowner shall have all rights, powers and remedies provided for herein or at law or in equity or admiralty or otherwise in the case of nonpayment of Basic Charter Hire; provided that the Shipowner may not exercise any of such rights, powers or remedies (other than under Section 10, 11 or 12 of the Participation Agreement) without the prior written consent of the Secretary. Charterer also agrees to pay to the Shipowner, on demand, as Supplemental Hire, to the extent permitted by applicable law, interest at the Default Rate on any part of any installment of Basic Charter Hire not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Charter Hire not paid when demanded by the Shipowner or the Secretary for the period from the date of any such demand until the same shall be paid.

(e) On and after the date hereof, the Charterer agrees to pay, as Supplemental Hire, to the Shipowner by payment to the Secretary for the account of and on behalf of the Shipowner, an amount equal to the initial and each annual Guarantee Fee on the date specified in Section 3.02(g) of Exhibit 1 to the Security Agreement. If the Secretary shall at any time give written notice to the Shipowner that the amount of any Guarantee Fee should be adjusted, has been erroneously calculated or is subject to increase or decrease pursuant to the Security Agreement, the Shipowner shall, within 5 days thereafter, give written notice thereof to the Charterer and the Charterer shall pay the Shipowner by payment to the Secretary for the account of and on behalf of the Shipowner within 15 days of such notice, an amount equal to any additional Guarantee Fee which is payable. The Shipowner shall, within 10 days after receipt thereof, pay to the Charterer an amount equal to any amounts received from the Secretary as a refund of any Guarantee Fee. The Charterer shall give the Shipowner prompt written notice of all payments by it of amounts equal to Guarantee Fees pursuant to this Section 3(e). Charterer also agrees to pay as an advance against the next Basic Charter Hire payment to the Shipowner in immediately available funds prior to 11:00 A.M. on the day that Obligations

are redeemed, as Supplemental Hire, an amount equal to the amount of unpaid interest accrued to the redemption date on any Obligations redeemed pursuant to Section 3.04 of Exhibit 1 to the Indenture.

(f) From and after the Obligation Closing Date, Charterer agrees to pay to the Indenture Trustee and the Depository on the Charter Hire Payment Date following presentation of their statement or statements of account (which shall be deemed due and payable on such Charter Hire Payment Date) as Supplemental Charter Hire amounts equal to the fees and the reasonable expenses and disbursements (including reasonable counsel and investigatory fees, if any), charged by the Indenture Trustee under Section 7.04 of Exhibit 1 to the Indenture (including any amounts due on indemnification) and by the Depository under Section 6 of the Depository Agreement.

(g) This Charter is a net bareboat charter, and no payments to be made by the Charterer under this Charter during the Charter Period shall be subject to any abatement, reduction, adjustment, right of set-off, counterclaim, recoupment or defense due to any present or future claims of the Charterer against the Shipowner or the Owner Participant under this Charter or otherwise, or against the Shipbuilder under the Construction Contract, or against any other party, or for any other reason whatsoever, nor shall the Charterer be entitled to retain any interest in or with respect to Basic Charter Hire or any Supplemental Hire which has already been paid to the Shipowner or to assert any right to any refund or adjustment in the event of termination of this Charter or otherwise. Except as herein otherwise provided in Sections 8, 14, 17 and 28 hereof the Charterer shall have no right to terminate this Charter before the end of the Charter Period, or be released, relieved or discharged from the obligation or liability to make all payments due hereunder for any reason whatsoever, including, without being limited to, the following: any breach of any representation or warranty of, or any act or omission of, the Shipowner under this Charter or any other agreement at any time existing between the Shipowner and the Charterer; any deprivation of use of the Vessels by reason of any act or omission of the Shipowner; any claims as a result of any other business dealings by the Shipowner, the Owner Participant, the Secretary or the Charterer; any reorganization, arrangement, insolvency, readjustment of debt, bankruptcy, dissolution or liquidation proceeding involving the Shipowner, the Owner Participant, the Secretary or the Charterer; any defect in, or damage to, or loss or destruction of, any of the Vessels from any cause; the requisitioning, seizure or other taking of title or use of any

of the Vessels by any government or governmental authority or otherwise whether or not by reason of any act or omission of the Shipowner, the Owner Participant, or the Secretary; the invalidity or unenforceability or lack of due authorization or other infirmity of this Charter; the lack of right, power or authority of the Shipowner to enter into this Charter; or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding. Compliance with this Section 3(g) by the Charterer shall not waive or release any claim, right or remedy of the Charterer against any party named herein or any other Person and the enforcement thereof by any means available to the Charterer not inconsistent with the provisions of this Section 3(g).

(h) Notwithstanding anything to the contrary contained in this Charter, Basic Charter Hire payable hereunder on any Charter Hire Payment Date shall be an amount not less than the principal of and interest on the Obligations scheduled to become due on such Charter Hire Payment Date.

(i) Notwithstanding anything in this Charter to the contrary, all payments required under this Charter to be made by the Charterer to the Shipowner which have been assigned to the Secretary pursuant to the Security Agreement shall be payable to the Depository for application pursuant to the terms of the Depository Agreement at the address for giving of notices set forth in Section 7 of the Depository Agreement or at such other place as the Depository shall direct in writing to the Charterer and the Shipowner.

(j) The Charterer agrees to pay as Supplemental Charter Hire to the Shipowner (i) on the date hereof the amount of interest accrued on the Secured Notes as shown on the notice from the Shipowner to the Lender given in accordance with Section 4.05 of the Interim Security Agreement and (ii) any additional amounts of interest owed thereon in accordance with the adjustment referred to in said notice. The Shipowner agrees to pay to the Charterer any portion of the payment referred to in Section 3(j)(i) which is refunded to the Shipowner by the Lender in accordance with such adjustment.

Section 4. Notice of Mortgage and Charter. On and after the Obligation Closing Date the Charterer agrees to keep and maintain in its principal office a true and properly certified copy of the Mortgage and any supplement thereto, and the master of the Vessels shall retain such copy with the ship's papers and shall exhibit the same to any and all persons having business with any Vessel which might give rise to any maritime

lien upon any Vessel (other than the lien of the Mortgage and liens for Master's and Crew's wages or salvage) and to any representative of the Shipowner or of the Secretary, as required by the terms of the Mortgage and the Security Agreement. Within a reasonable time after the Obligation Closing Date the Charterer shall also place on board each of the Vessels a permanent notice in plain type of such size that the paragraph of reading matter shall cover a space not less than six inches wide by nine inches high, which notice shall be prominently placed and affixed by means of a durable plate and shall read as follows:

"NOTICE OF FLEET MORTGAGE AND CHARTER

This Vessel is owned by The Connecticut Bank and Trust Company, not in its individual capacity but solely as trustee (the "Shipowner"), and is covered by a First Preferred Fleet Mortgage in favor of the United States of America under authority of the Ship Mortgage Act, 1920, as amended, and is under Bareboat Charter to Dravo Mechling Corporation. No person has any right to create or permit to be placed upon this Vessel any lien whatsoever other than liens for wages of a stevedore when employed directly by the Shipowner, Dravo Mechling Corporation or the master or agent of this Vessel and for the wages of the crew in respect of this Vessel under certain conditions, for general average, or for salvage, or certain liens subordinate to the Mortgage incident to current operations or for repairs."

The Charterer shall not allow the name of any Person other than the Shipowner to be placed on any of the Vessels as a designation which might be interpreted as indicating a claim of ownership thereof by any Person, but for the purposes of identification the Charterer or any assignee, subcharterer or operator permitted under Section 18 hereof shall have the right at its expense to paint the Vessel in its own colors, to install and display its insignia, and to fly its own house flag, or to utilize the colors, insignia, numbers, corporate logo or flag of any corporation controlling, controlled by, or under common control with, Charterer or any such other Person.

Section 5. Disclaimer of Warranties; Claims Under the Construction Contract. (a) Prior to the date hereof the Charterer has unconditionally accepted delivery of the Vessels on behalf of the Shipowner and under this Charter.

As between the Shipowner and the Charterer, acceptance of a Vessel by an employee or designee of the Charterer on behalf of the Shipowner shall be conclusive proof of the Vessel's compliance with all requirements of this Charter and with the

plans and specifications forming a part of the Construction Contract. NEITHER THE SHIPOWNER NOR THE OWNER PARTICIPANT SHALL BE DEEMED TO HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN THE VESSELS, OR AS TO THE MERCHANTABILITY OF THE VESSELS OR THE FITNESS OF THE VESSELS FOR ANY PARTICULAR USE OR PURPOSE OR ANY PARTICULAR TRADE OR AS TO THE DATE OF DELIVERY OF ANY VESSEL, it being agreed that all such risks, as among the Shipowner, the Owner Participant and the Charterer, are to be borne by the Charterer during the Charter Period except that the Shipowner represents and warrants that on the Delivery Date for each Vessel it has such title thereto as has been conveyed to it by the Shipbuilder, but subject to this Charter, the Trust Agreement, the Mortgage, and the rights of the Secretary under the Security Agreement. The Charterer's acceptance of delivery of a Vessel under this Charter shall be conclusive evidence, as between the Shipowner and the Charterer, that the Vessel is in all respects satisfactory to the Charterer and the Charterer will not assert any claim of any nature whatsoever against the Shipowner based on any of the foregoing matters other than the foregoing warranty of title by the Shipowner, including any claim for delay in delivery of the Vessel.

(b) Nothing contained herein shall in any way diminish or otherwise affect any right the Charterer or the Shipowner may have against the Shipbuilder, and the Shipowner, at the Charterer's sole cost and expense, agrees to take such action as the Charterer may reasonably request to permit the Charterer to assert and enforce, from time to time, in the name of and for the account of the Shipowner, whatever claims and rights the Shipowner may have as owner of the Vessels against the Shipbuilder or any vendors to the Shipbuilder of material included in the Vessels.

(c) So long as no Event of Default has occurred and is continuing, the Shipowner hereby irrevocably appoints and constitutes the Charterer as its agent and attorney in fact during the Charter Period to institute from time to time in the name and for the account of the Shipowner and/or the Charterer, as their interests may appear, at the Charterer's sole cost and expense, whatever claims and rights the Shipowner may have against the Shipbuilder or any of the Vessels or any supplier of any other equipment for use on or in connection with the Vessels. The Charterer will give the Shipowner timely notice of any action which is required to be taken or, in the Charterer's judgment, is advisable to be taken by or on behalf of the Shipowner in order to protect or enforce the Shipowner's or the Charterer's rights in respect of the Vessels under or

in respect of the Construction Contract (as affected by the Construction Contract Assignment) against the Shipbuilder.

(d) Any sums received under this Section 5 shall be subject to all assignments made to the Secretary under the Security Agreement or shall, if so directed by the Secretary, be used to redeem Obligations under Section 3.04 of the Indenture.

Section 6. Title to and Use of the Vessels; Documentation of the Vessels; No Liens. (a) The Shipowner retains full legal title to the Vessels notwithstanding their delivery to and possession and use by the Charterer hereunder, and Charterer obtains no rights in the Vessels other than those set forth herein. The Shipowner hereby agrees, for the benefit of the Secretary, that no person shall have the right, power or authority to create, incur or permit to be placed or imposed upon the Vessels any liens whatsoever other than the Mortgage, the Charter, and liens permitted by the Mortgage and the Security Agreement. So long as no Event of Default shall have occurred and be continuing, Charterer shall have exclusive possession, control and use of the Vessels during the Charter Period and the Charterer shall man, victual, navigate, operate, supply, fuel, maintain and repair (subject to this Charter) the Vessels at its own expense or by its own procurement throughout the Charter Period. The Shipowner hereby covenants that if, and so long as, no Event of Default shall have occurred and be continuing the Charterer shall have all the rights of possession, use and quiet enjoyment of the Vessels chartered hereunder without hindrance or molestation by the Shipowner or any other person claiming the same by, through or under the Shipowner as a result of acts or omissions of the Shipowner; provided, however, that neither the Shipowner nor the Owner Participant shall have any responsibility for the acts of the Secretary (including, without limitation, any acts of the Secretary in accordance with the provisions of Section 6.01(b)(6), 6.04 and 6.07 of Exhibit I to the Security Agreement) and the Charterer hereby waives any remedies it may have at law or in equity against the Shipowner or the Owner Participant as a result of any such acts of the Secretary. During the Charter Period, the possession, use, operation and maintenance of the Vessels shall be at the sole risk, cost and expense of the Charterer.

(b) At or before the time of delivery of each Vessel to Charterer hereunder on the applicable Delivery Date, the Charterer shall, at the Charterer's expense, cause such Vessel to be documented in the name of the Shipowner under the laws and flag of the United States. The Charterer agrees to maintain throughout the Charter Period the documentation of the Vessels

in the Shipowner's name under the laws and flag of the United States. The Shipowner will, upon the request of the Charterer, execute such documents and furnish such information as the Charterer may reasonably require to enable the Charterer to maintain such documentation.

(c) The Charterer shall, without extra cost, have the use of such equipment, outfit, appliances, tools, spare and replacement parts, non-consumable stores, etc., as shall be provided for the Vessels by the Shipowner or the Shipbuilder under the Construction Contract or other contracts. The same or any replacements thereof from time to time made by Charterer shall be returned to the Shipowner on redelivery of the Vessels in the same good order and condition as received, ordinary wear and tear and ordinary depreciation excepted. The Charterer shall provide such additional equipment, outfit, appliances, tools, spare and replacement parts, non-consumable stores, etc., as shall not be provided by the Shipowner or the Shipbuilder under the Construction Contract or other contracts and as shall be required for operation of the Vessels. Such equipment, etc., shall remain the property of the Charterer and the Charterer shall remove the same at its expense at or before redelivery of the Vessels. Leased equipment may be placed on board the Vessels by the Charterer, but all such leased equipment shall be removed at its own expense by the Charterer prior to redelivery.

(d) The Charterer shall not directly or indirectly create, incur, assume or suffer to exist any Liens on or with respect to any of the Vessels, or any part thereof, title thereto or any interest therein, and agrees to warrant and defend the title to and possession of the Vessels and every part thereof against all Liens, in each case except (i) Shipowner's Liens or Owner Participant's Liens and (ii) Liens permitted by Section 2.04(a)(1) of the Security Agreement. Charterer will promptly, at its own expense, take such action as may be necessary duly to discharge or eliminate or bond any Lien not excepted above if the same shall arise at any time. Except for any Liens expressly permitted by this Section 6(d), the Charterer will notify the Shipowner, the Owner Participant and the Secretary of any Lien that shall attach to any Vessel, or part thereof, or interest therein, within ten days of the Charterer's learning of such attachment, together with full particulars thereof, and will promptly cause the same to be discharged.

(e) The Charterer will not knowingly charter any of the Vessels to, or knowingly permit any of the Vessels to serve under any contract with, a person included within the definition of "designated foreign country" or "national" of

a "designated foreign country" in the Foreign Assets Control Regulations or Cuban Assets Control Regulations of the United States Treasury Department, 31 C.F.R., Chapter V, as now or hereafter amended, within the meaning of said Regulations or of any regulation, interpretation or ruling issued thereunder, nor will it charter or otherwise permit any of the Vessels to be used in any fashion which will subject the Vessels to forfeiture under the laws of the United States. The Charterer will not remove the Vessels beyond the limits of the United States, abandon any Vessel in any foreign port or carry any cargo that will expose any Vessel to penalty, forfeiture or capture.

(f) The Charterer represents and warrants that it was duly organized and is now existing as a corporation under the laws of the State of Delaware, that it shall maintain its corporate existence, that it is a citizen of the United States within the meaning of Section 2 of the Shipping Act, 1916, as amended, and shall remain such a citizen, qualified for the purpose of operation of the Vessels in the trade or trades in which Charterer proposes to operate the Vessels and qualified for operation in any other trades in which the Vessels are operated from time to time and that in the event the Charterer shall cease to be such a citizen, or shall cease to be so qualified, the Charterer shall notify the Shipowner and the Secretary thereof as soon as it obtains knowledge of such fact and that within 30 days after the date of each annual meeting of its stockholders (or any written consent in lieu thereof), the Charterer shall submit to the Shipowner and to the Secretary such supplemental proof of citizenship as the Secretary may deem appropriate to establish that it remains such a citizen of the United States and is qualified as provided in this sentence.

Section 7. Maintenance, Certification, Repairs.

(a) During the Charter Period the Charterer at its expense shall at all times maintain and preserve the Vessels in at least as good a condition as on the Delivery Date and in good running order and repair, in accordance with good commercial maintenance practices in all respects similar or superior to those practices which the Charterer currently undertakes to preserve and maintain other vessels of similar size, design and class within its barge fleet, in each case except for ordinary wear and tear as provided in Section 16(a) hereof, so that the Vessels shall be, in so far as due diligence can make them so, tight, staunch, strong and well and sufficiently tackled, apparelled, furnished, equipped and in every respect seaworthy and in good operating condition.

(b) The Vessels shall be repaired, overhauled, dry-docked, cleaned and painted by the Charterer at its expense whenever necessary to maintain and preserve the Vessels in accordance with Section 7(a) hereof.

(c) The Shipowner and the Secretary (or any Person or Persons designated by the Shipowner or the Secretary) shall have the right but not the obligation, on reasonable notice, to inspect the Vessels, their cargo and papers in a reasonable manner and at reasonable times in order to ascertain whether the Vessels are being repaired and maintained. The Charterer shall also permit the Shipowner and the Secretary (or any Person or Persons designated by the Shipowner or the Secretary) to inspect the Charterer's books, records and accounts with respect to any Vessel, whenever requested on reasonable notice, and shall at its expense furnish the Shipowner and the Secretary with full information regarding any casualty or other accident or damage to a Vessel if the potential liability exceeds \$1,000,000 or cost of repair arising from such casualty, accident or damage exceeds \$50,000 with respect to a Vessel; provided that if a Security Default has occurred and is continuing the Charterer shall give such information regarding any potential liability to the Secretary; provided further that unless such Security Default was caused by a failure of the Charterer to perform its obligations hereunder the obligation in the preceding proviso shall apply only to Security Defaults of which the Charterer has actual knowledge.

(d) The Charterer shall perform or cause to be performed at least once each five years with respect to each of the Vessels, and at any other time required by the Secretary, such surveys and inspections or take such other actions as are necessary to prove or establish that the Vessels have been maintained in accordance with the requirements of Section 7(a) hereof; such survey and inspection will be performed by a marine surveyor satisfactory to the Shipowner and the Secretary. The Charterer shall furnish two copies of the report of such marine surveyor to the Shipowner and the Secretary within 15 days of such survey and inspection. In addition the Charterer shall provide annually to the Secretary, the Owner Participant and the Shipowner a certificate stating that the Vessels have been maintained in accordance with the requirements of this Section 7.

Section 8. Charterer's Changes and Equipment. (a) Except as otherwise specifically permitted hereby, the Charterer shall make no structural changes in any of the Vessels that would result in a violation of Section 7 hereof or Section 2.04(h) of the Security Agreement without, in each instance,

first securing written approval of the Shipowner and the Secretary. Subject to this Section 8, Charterer shall have the right to install any pumps, gear or equipment it may require in addition to that on board the Vessels on the applicable Delivery Date, provided that such installations are accomplished at the Charterer's expense and risk and provided further that such installation shall be readily removable without causing material damage to such Vessels. Pumps, gear or equipment so installed shall remain the property of the Charterer and the Charterer shall remove the same at the expense of the Charterer prior to the redelivery of the Vessels.

(b) In addition, subject to the first sentence of Section 8(a) hereof, the Charterer at its own expense may from time to time make such alterations to the Vessels of a permanent, structural nature as the Charterer may deem desirable in the proper conduct of its business; provided, however, that (i) no such alteration shall diminish the value, utility, capacity or operating condition of any Vessel below the value, utility, capacity and operating condition thereof immediately prior to such alteration assuming such Vessel was then in the condition required to be maintained by the terms of this Charter and (ii) all such alterations are readily removable from such Vessel without diminishing or impairing the value, utility, capacity or operating condition which such Vessel would have had at such time had such alterations not been made assuming such Vessel was then in the condition required to be maintained by the terms of this Charter and are capable of being so removed without causing material damage thereto, or, if not capable of being so removed, represent a nonseverable improvement ("Nonseverable Improvement") which both satisfies the conditions of Section 4(4).03(B) of Rev. Proc. 75-21 ("Rev. Proc. 75-21"), 1975-1 C.B. 715, as amended by Rev. Proc. 79-48 ("Rev. Proc. 79-48"), 1979-2 C.B. 529, and is described in subparagraph (i) or (ii) of Section 4(4).03(C) of Rev. Proc. 75-21. Alterations shall be considered readily removable without material damage to a Vessel if (i) they can be removed in good and workmanlike manner with reasonable dispatch and (ii) after such removal the condition of the Vessel can be restored in all material respects to the same value, utility, capacity and operating condition which such Vessel would have had at such time had such alterations not been made assuming such Vessels were then in the condition required to be maintained by the terms of this Charter. All alterations made pursuant to this Section 8 shall be completed in a good and workmanlike manner and with reasonable dispatch. Title to all parts added to a Vessel as a result of any alteration constituting or installed in a Nonseverable Improvement shall, without further act, vest in the Shipowner free and clear of all liens, encumbrances and rights of others

except those permitted hereunder, become subject to this Charter and subject to the first mortgage and security interest of the Mortgage and the Security Agreement. Title to all such parts not constituting or installed in a Nonseverable Improvement shall remain in the Charterer or such other owner as may have provided the same to the Charterer, may be removed from the Vessel by the Charterer or such other owner at any time, provided that such removal does not damage the Vessel (or any such damage is promptly repaired in good and workmanlike manner) and the Vessel after such removal is restored to the value, utility, capacity and operating condition which such Vessel would have had at such time had such alterations not been made assuming such Vessel was then in the condition required to be maintained by the terms of this Charter, and shall not constitute a part of the Vessel for any purposes hereof. In the event that Charterer has not elected to exercise its renewal rights in accordance with Section 21 hereof, then, as of the end of the Charter Period, the Shipowner shall have the right to purchase any part described in the preceding sentence which is owned by the Charterer at the end of the Charter Period for the fair market sales value thereof, as determined by agreement of the Charterer and the Shipowner or in the absence of such agreement by the Appraisal Procedure; provided that the Shipowner has given the Charterer notice of its election to purchase such part not less than six months before the expiration of the Charter Period. Any such part which the Shipowner has not so elected to purchase shall be removed from the Vessel by the Charterer prior to the expiration of the Charter Period in a good and workmanlike manner so as not to cause any material damage to the Vessel and so that the Vessel is restored to the value, utility, capacity and operating condition which such Vessel would have had at such time had such part not been added assuming such Vessel was then in the condition required to be maintained by the terms of this Charter.

(c) Provided no Event of Default has occurred or is continuing, in the event the Charterer in its judgment, as evidenced by a resolution of its Board of Directors, shall determine that any one or more Covers are obsolete or surplus for the Charterer or not suitable for further use by the Charterer, the Charterer may alter the related Vessel or Vessels by removing such Cover or Covers and arranging for the sale (subject to the consent of the Secretary) of such Cover or Covers for cash on behalf of the Shipowner (but at the Charterer's sole expense) to the highest bidder (which may not be the Charterer or any of its Affiliates) on any Charter Hire Payment Date on or after March 18, 1992. The Charterer shall give the Shipowner and the Secretary written notice of such intended sale at least 20 days prior to the solicitation of bids therefor

and at least 60 days prior to the proposed date of sale. Upon receipt of such notice the Shipowner agrees promptly to take such action as shall from time to time be reasonably requested by the Charterer to obtain the written consent of the Secretary required for a sale of the Covers pursuant to Section 8.01 of Exhibit 1 to the Indenture and Sections 2.04(b) and 9.01 of Exhibit 1 to the Security Agreement. Upon receipt of such consent the Shipowner agrees promptly to send to the Indenture Trustee the Request and Officer's Certificate contemplated by Article Third (c) of the Indenture for a redemption of the Proportionate Part of the Obligations and to so redeem such Obligations.

On the date of such sale the Shipowner shall sell such Cover for cash to the highest bidder without recourse or warranty of any kind provided that such Cover shall be free from any Shipowner's Lien or Owner Participant's Lien. Upon such sale of a Cover, the Shipowner's Cost of the related Vessel shall be reduced by the amount set forth in the Charter Supplement for such Vessel under the caption "Shipowner's Cost of Covers" and the Charterer shall pay to the Shipowner on the Charter Hire Payment Date on which such sale occurs (in addition to any other Hire then due and payable) the excess, if any, of the Termination Value for such Cover (computed as of such Date) over the sales price therefor less any reasonable expenses incurred by the Shipowner in connection with such sale. Any excess of such sales price over such Termination Value shall be paid to or retained by the Shipowner.

Section 9. Insurance. (a) The Charterer shall, without cost to the Shipowner, keep the Vessels insured against such risks and in such form (including, without limitation, the form of the loss payable clause and the designation of named assureds in addition to the Shipowner) as the Secretary may specify under the provisions of the Security Agreement, provided that the amount of hull and machinery insurance as to each Vessel (plus any permitted deductible) shall in no event be less than the greater of the full commercial market value of any Vessel as determined by the Secretary or the applicable Stipulated Loss Value of such Vessel. All policies for such insurance so taken out shall provide that (1) there shall be no recourse against the Shipowner or the Owner Participant or the Secretary for the payment of premiums, club calls or commissions, (2) if such policies provide for the payment of assessments, advances, or deductibles there shall be no recourse against the Shipowner or the Owner Participant or the Secretary for the payment thereof, (3) at least thirty (30) days' prior notice shall be given to the Shipowner and the Secretary by the underwriters in the event of any actual or proposed cancellation

or reduction of coverage, (4) the insurer shall not seek contribution from any insurance carried by the Secretary, the Shipowner or the Owner Participant, (5) the insurer waives subrogation against the Charterer and (6) there shall be breach of warranty coverage for the benefit of the insureds other than the Charterer.

(b) So long as there shall not have occurred and be continuing an Event of Default (and the underwriters may, for purposes of this Section 9, rely on a certificate of an officer of the Charterer as to the existence of an Event of Default) and subject to the provisions of the Security Agreement, (i) any loss under any insurance on a Vessel with respect to protection and indemnity risks may be paid directly to the Charterer to reimburse it for any loss, damage or expense paid by it and covered by such insurance or to the Person to whom any liability covered by such insurance has been insured and (ii) in the case of any loss (other than a loss covered by clause (i) of this Section 9(b) or by Section 9(c) hereof) under any insurance with respect to a Vessel involving any damage to the Vessel, the underwriters may pay directly for the repair, salvage or other charges involved or, if the Charterer shall have first fully repaired the damage or paid all of the salvage or other charges, may pay the Charterer as reimbursement therefor.

(c) Subject to the provisions of the Security Agreement, all payments of insurance proceeds received on account of an Event of Loss with respect to a Vessel or a Cover shall be paid to the Shipowner up to an amount equal to the Stipulated Loss Value applicable to such Vessel in accordance with the provisions of Section 14 hereof, and the balance, if any, shall be paid to the Charterer or to whomsoever may be entitled thereto.

(d) The Charterer shall carry such workmen's compensation or longshoremen's and harborworkers' compensation insurance as shall be required by applicable law.

(e) The Charterer shall if requested deliver to the Secretary and the Shipowner a certified true copy of all policies evidencing insurance maintained under this Charter; provided that original policies shall be made available for inspection to the Secretary or the Shipowner promptly upon written request. On the first Obligation Closing Date and annually thereafter and at such other times as the Shipowner or the Secretary may reasonably request, the Charterer shall furnish to the Shipowner and to the Secretary a detailed certificate or opinion (signed by a firm of marine insurance brokers selected by the Charterer and approved by the Shipowner) as to the insurance maintained

by the Charterer pursuant to this Section 9, specifying and stating, in effect, that such insurance complies in all respects with the applicable requirements of this Section 9.

(f) Nothing in this Section shall limit any additional insurance coverage which the United States may require pursuant to any other contract or agreement to which the United States and the Charterer are parties.

(g) The Charterer will not do any act, nor suffer any act to be done, whereby any insurance coverage of or for the benefit of the Secretary, the Shipowner or the Owner Participant required hereunder shall or may be suspended, impaired or defeated.

(h) All policies of insurance procured and kept in force hereunder by the Charterer shall insure against and cover all of the risks required to be insured and covered with respect to the Vessels or the operation thereof by the Shipowner under the provisions of the Security Agreement and of the Mortgage and shall comply with the requirements of the Security Agreement and the Mortgage as to amounts, underwriters, and loss payable provisions, and in all other respects shall be such as to constitute full compliance with the provisions hereof and with the obligations of the Shipowner under the Security Agreement and the Mortgage. Without limiting the generality of the foregoing, Section 2.07 of Exhibit 1 to the Security Agreement is incorporated herein by reference and shall form a part hereof as if such provisions were fully set forth herein. In the event of a conflict between the requirements of the Security Agreement and this Section 9, the requirements of the Security Agreement will prevail.

Section 10. Statutory Benefits. This Charter is not a personal contract. The Shipowner shall have the benefit of all limitations of and exemptions from liability accruing to owners of Vessels by any statute or rule of law for the time being in force, and Charterer shall have the benefit of all limitations of and exemptions from liability accruing to owners or charterers of vessels by any statute or rule of law for the time being in force; provided, however, that such limitations of and exemptions from liability shall not in any way affect the obligations of the Charterer to the Shipowner and the Secretary under this Charter or otherwise.

Section 11. Compliance with Laws. The Charterer hereby covenants that: (i) the Charterer shall comply with all applicable laws, regulations, requirements and rules, domestic and foreign, with respect to the registration,

licensing, use, maintenance and operation of the Vessels (unless otherwise required by any military authority of the United States and except during any period when (1) the use or title of the Vessel has been taken, requisitioned or chartered by any government or governmental body, (2) there has been an Event of Loss with respect to any Vessel, or (3) there has been any other loss with respect to any Vessel and the Charterer shall not have had a reasonable time to repair the same) including, without limitation, all applicable laws, rules and regulations administered by the United States Coast Guard, the Bureau of Customs, the Treasury Department, the Federal Communications Commission, the Environmental Protection Agency, the Public Health Service, the Department of Transportation and their successors, except to the extent that, with the prior written consent of the Shipowner and the Secretary (which consent shall not be unreasonably withheld), such requirements shall then be contested in good faith by the Charterer; (ii) the Charterer shall keep in its offices, as and when required thereby, valid certificates showing compliance therewith; and (iii) the Charterer will make any changes or additions to the Vessels required by any applicable laws or applicable rules or regulations thereunder. Where such compliance requires the execution and delivery by the Shipowner of any instruments or the taking of any other action by the Shipowner, the Charterer will in a timely manner prepare and submit to the Shipowner such instruments and specify in writing to the Shipowner the action by it so required.

Section 12. Concerning Shipowner. All of the statements, representations, covenants and agreements made by The Connecticut Bank and Trust Company (or any entity acting as successor trustee) in its capacity as trustee under the Trust Agreement or in its individual capacity, or made by any officer of The Connecticut Bank and Trust Company (or any entity acting as successor trustee), and contained in this Charter or the documents delivered with respect thereto and all documents constituting part of the Security while in form purporting to be made by The Connecticut Bank and Trust Company (or any entity acting as successor trustee) in its capacity as trustee under the Trust Agreement or in its individual capacity or made by such officer, are, except to the extent expressly provided below in this Section 12, nonetheless made and intended only for the purpose of binding the Trust Estate and establishing the existence of rights and remedies provided for in this Charter, and such other documents which can be exercised and enforced against the Trust Estate. Therefore, anything contained in any of the aforesaid documents to the contrary notwithstanding, no recourse shall be had for the payment of any amounts due under this Charter or shall be had for any claim based on any

provision of any of the documents referred to in the preceding sentence hereof, against The Connecticut Bank and Trust Company (or any entity acting as successor trustee) in its capacity as trustee under the Trust Agreement or in its individual capacity, and The Connecticut Bank and Trust Company (or any such entity acting as such successor trustee) shall not have any personal obligation, liability or duty whatsoever to the Charterer or any other Person for or with respect to any such payment, the performance of or compliance with any statement, representation, covenant or agreement made in any such document except personal liability for its own gross negligence or willful misconduct and personal liability for breach of the Bank's covenants in Section 17 or representations in Section 6 of the Participation Agreement. Nothing contained in this Section 12 shall be construed to limit the exercise and enforcement, in accordance with the terms of this Charter and the other documents constituting part of the Security, of the rights and remedies of the Charterer against the Security.

Section 13. Additional Covenants of the Charterer.
During the Charter Period and so long as any amounts are due from the Charterer under this Charter:

(a) The Charterer will deliver to the Shipowner, the Owner Participant and the Secretary, in duplicate:

(i) as soon as available, and in any event within 105 days after the end of each fiscal year of the Charterer, a consolidated balance sheet of the Charterer as of the end of such fiscal year and the related consolidated statements of income and retained earnings for such fiscal year, certified by independent public accountants of nationally recognized standing selected by the Charterer, all in reasonable detail and setting forth in comparative form the corresponding figures for the preceding fiscal year;

(ii) as soon as available, and in any event within 90 days after the end of the semi-annual accounting period in each fiscal year of the Charterer, a consolidated balance sheet of the Charterer as of the end of such period and the related consolidated statements of income and retained earnings for such period, all in reasonable detail and setting forth in comparative form the corresponding figures for the comparable period of the preceding fiscal year; and

(iii) such other financial information relating

to the affairs of the Charterer as the Shipowner, the Owner Participant or the Secretary may reasonably request.

All such financial statements shall fairly present the financial condition and results of operations of the Charterer and any consolidated subsidiaries at the dates and for the periods specified therein and shall be prepared in accordance with generally accepted accounting principles consistently applied throughout the periods covered thereby, except for immaterial changes and except for any material change in accounting principles specified in the related notes or in the accompanying certificate.

(b) The Secretary and the Shipowner (or any Person or Persons designated by the Shipowner or the Secretary) shall have the right to discuss the affairs, finances and accounts of Charterer relative to the Vessels with the officers thereof, all at such reasonable times and as often as the Secretary or the Shipowner may desire, subject to such constraints regarding confidentiality as the Charterer may reasonably require.

(c) Average adjusters shall be appointed by the Charterer from a list of adjusters satisfactory to the Shipowner. General and particular average losses shall be adjusted according to the laws and usages at the port or place in the United States selected by the Charterer. The Charterer agrees to assist the adjuster in preparing the average statement and to take all other possible measures to protect the interests of the Vessels and the Shipowner.

(d) The Charterer will comply with all the terms and conditions of the Commitment to Guarantee Obligations.

(e) The Charterer will not at any time during the term of the Charter use, fail to use or permit or suffer to be used any Vessel in such way as to disqualify it as "Section 38 property" within the meaning of Section 48(a) of said Code.

(f) To the extent permissible, the Charterer will prepare and file in timely fashion or, where the Shipowner is required to file, prepare and deliver (or cause to be prepared and delivered) to the Shipowner within a reasonable time prior to the date for filing any reports, certificates, applications, licenses, notices, consents, bonds, agreements, requests, orders or any other instruments

or documents with respect to the Vessels, this Charter or any of the transactions contemplated hereby which are required by any federal, state or other governmental or regulatory authority. The Shipowner will take, at Charterer's cost, reasonable steps to furnish to the Charterer such information relating thereto as the Charterer may reasonably request and otherwise cooperate with the Charterer in connection therewith. The Charterer will take, at Charterer's cost, reasonable steps to furnish to the Shipowner such information relating to the Shipowner's tax reports and returns as the Shipowner may reasonably request and otherwise cooperate with the Shipowner in connection therewith. Nothing in this Section 13(f) shall require disclosure to any Person of trade secrets or information the disclosure of which is prohibited by law.

(g) The Charterer shall comply with the provisions of Section 12 or 13, whichever is applicable pursuant to the terms thereof, of Exhibit 1 to the Restricted Title XI Reserve Fund and Financial Agreement or the Title XI Reserve Fund and Financial Agreement referred to in the Security Agreement.

(h) The Charterer and the Shipowner hereby agree to indemnify the Secretary to the same extent as if the Secretary were named as an Indemnitee under Sections 10 and 12 and under Section 17, respectively, of the Participation Agreement.

Section 14. Loss, Destruction, Requisition, Etc.

(a) Upon the occurrence of an Event of Loss with respect to a Vessel, the Charterer shall forthwith (and in any event within fifteen days after such occurrence) give the Shipowner and the Secretary written notice of such Event of Loss specifying a date not more than 75 days after the date of the occurrence of the Event of Loss, and not less than 50 days after the date such notice is given by the Charterer, on which the Charterer will make the payment specified in the following paragraph (which date is herein called the "Loss Payment Date"). Promptly after receipt of such notice, the Shipowner shall (i) give to the Indenture Trustee written instructions to redeem Outstanding Obligations on the Loss Payment Date pursuant to Section 3.05 of Exhibit 1 to the Indenture and (ii) take such actions as shall from time to time be reasonably requested by the Charterer to cause the Secretary to give to the Indenture Trustee the written instructions to so redeem Outstanding Obligations as contemplated by said Section

3.05. The Charterer shall continue to pay Basic Charter Hire when due on any Charter Hire Payment Date occurring during the period from and including the occurrence of the event giving rise to the Event of Loss to and including the Loss Payment Date.

The Charterer shall pay to the Shipowner on the Loss Payment Date an amount equal to the sum of (a) the Stipulated Loss Value for such Vessel determined as of the Charter Hire Payment Date on or immediately preceding the Loss Payment Date, plus (b) interest, at the rate of interest on the Obligations, on the amount specified in clause (a) of this paragraph for the period from such Charter Hire Payment Date to and including the Loss Payment Date plus (c) all other Hire (including, without limitation, Basic Charter Hire due through the Charter Hire Payment Date on or immediately preceding the Loss Payment Date) due on or prior to the Loss Payment Date. In the event of payment in full of such Stipulated Loss Value and all other Hire then due hereunder, the obligation of the Charterer to pay Basic Charter Hire hereunder with respect to such Vessel after such Loss Payment Date shall terminate, provided that the Charterer shall remain liable for all payments of Hire for such Vessel due on or before the date of such payment of Stipulated Loss Value.

(b) [Omitted.]

(c) Subject to Section 2.09 of Exhibit 1 to the Security Agreement, payments received at any time by the Shipowner or by the Charterer from any governmental authority or other Person with respect to an Event of Loss or Cover Casualty resulting from the condemnation, confiscation, theft or seizure of, or requisition of title to or use of a Vessel or a Cover will be applied to reimburse the Shipowner for costs and expenses incurred in connection therewith and then to pay the Shipowner so much of such payments remaining as shall not exceed the Stipulated Loss Value required to be paid by the Charterer in connection therewith in reduction of the Charterer's obligation to pay such Stipulated Loss Value, if not already paid by the Charterer, or, if already paid by the Charterer, shall be applied to reimburse the Charterer for its payment of such Stipulated Loss Value, or, if such payments are in respect of a Cover which has been replaced by the Charterer pursuant to the first paragraph of Section 28 hereof, shall be applied to reimburse the Charterer for its costs of replacement, and the balance, if any, of such payments remaining thereafter will be paid over to, or retained by, the Shipowner.

(d) In the event of the requisition for use by the

United States or any instrumentality or agency thereof (for purposes of this Section 14(d) called the "Government") or by any other governmental authority of a Vessel, the Charterer shall promptly notify the Shipowner and the Secretary of such requisition, and all of the Charterer's obligations under this Charter with respect to said Vessel shall continue to the same extent as if such requisition had not occurred; provided that if such requisition is by such other governmental authority and is for a period in excess of 180 days or is by the Government or such other governmental authority and continues beyond the termination of the Charter Period an Event of Loss shall be deemed to occur on the 181st day after such requisition or on the last day of the Charter Period, as the case may be. All payments received by the Shipowner or the Charterer from the Government for the use of said Vessel shall be paid over to, or retained by, the Charterer. Notwithstanding the preceding sentence, if a requisition of use results in an Event of Loss, such payments shall be disbursed as provided in Section 14(c) hereof.

(e) Any amount referred to in Section 14(c) or 14(d) hereof which is payable to the Charterer, shall not be paid to the Charterer if at the time of such payment an Event of Default shall have occurred and be continuing, but shall be held by the Shipowner for the account of the Charterer in a segregated interest-bearing account with a banking institution selected by the Shipowner without any duty to maximize the return thereon and, if the Shipowner declares this Charter to be in default pursuant to Section 19 hereof, such amount shall be applied (together with any such interest) against the Charterer's obligations hereunder as and when due. At such time as there shall not be continuing any such Event of Default such amount shall be paid to the Charterer to the extent not previously applied in accordance with the preceding sentence.

Section 15. Mortgage and Security Agreement. The Charterer agrees that it will not take any action under this Charter or otherwise which would violate, or cause the Shipowner to violate, any of the provisions of the Mortgage or the Security Agreement and will request that the Shipowner effect any actions which, in the opinion of the Charterer, are necessary in order to establish and maintain the Mortgage as a preferred mortgage under the Ship Mortgage Act, 1920, as amended. The Shipowner agrees to effect the reasonable actions so requested and may rely on an opinion of counsel for the Charterer in so doing. The Charterer further agrees to perform all of the covenants of the Shipowner set forth in the Mortgage or the Security Agreement to the extent such covenants are by their nature capable of being performed by the Charterer. Upon request of

the Charterer the Shipowner agrees to take all reasonable steps to release from the liens of the Security Agreement and the Mortgage any Vessel or Cover removed from this Charter pursuant to Section 8, 14, 17, or 28 hereof.

Section 16. Redelivery. (a) Except to the extent that the Charterer has been relieved of the obligation by the occurrence of an Event of Loss or the provisions of Section 17 hereof with respect to one or more of the Vessels, the Charterer at its own expense shall redeliver (with 30 days written notice of the time of redelivery) each of the Vessels to the Shipowner at the expiration of the Charter Period and the extension period, if any, provided for in this Section 16, at such port or ports on the Mississippi River in the New Orleans or Baton Rouge area as the Shipowner may designate not less than 30 days prior to the expiration of the Charter Period or extension period, as the case may be, or in the absence of such designation as the Charterer may elect, in such good order and condition as when delivered hereunder and in the condition required by Section 7(a) hereof except for depreciation and ordinary wear and tear as might reasonably be expected for vessels of similar age, class, and design engaging in operations normal to the Charterer's industry. Corrosive wear resulting from and directly attributable to the transportation of corrosive material, as defined in 49 C.F.R. §173.240 and itemized in 49 C.F.R. §172.101 (as said regulations may be amended from time to time) shall not be considered ordinary wear and tear for purposes of the preceding sentence and Section 7(a) hereof (although this provision shall not prohibit the Charterer from using the Vessel to carry corrosive materials). The Vessels shall be redelivered charter free, cargo free, with no unfulfilled requirements of any governmental agency or department having jurisdiction in the premises, and free and clear of all Liens, except for any Shipowner's Liens or Owner Participant's Liens.

(b) This Charter shall be extended, at a daily charter hire rate equal to the quotient of (i) the amount of Basic Charter Hire of the Vessel or Vessels not redelivered and due for the period ending on the preceding Charter Hire Payment Date divided by (ii) 180, or pro rata for periods less than a day, for the duration of any voyage in progress at the time of expiration of the Charter Period and for such additional period as shall reasonably be required to effect redelivery. During such extension period, if any, all of the obligations of the Charterer under this Charter in respect of the Charter Period (other than the payment of Basic Charter Hire which shall be payable as set forth above) shall continue in respect of such extension period.

(c) The Charterer shall permit access to the Vessels at all reasonable times during the last six months of the Charter Period to the Shipowner or the Owner Participant and to persons designated by the Shipowner or the Owner Participant in connection with any prospective sale or charter of the Vessels by the Shipowner, and shall permit the superficial inspection of the Vessels by such persons; provided, however, that the exercise of such rights shall in no way unreasonably interfere with the use by the Charterer of the Vessels.

(d) Upon the redelivery of each Vessel, the Charterer will make such Vessel available to the Shipowner at the port of redelivery for inspection by the Owner Participant. The Charterer, at its expense, will fully correct and repair any condition disclosed by such inspection to the extent necessary to cause such Vessel to comply with the terms of Section 7(a) and 16(a) hereof. In the event the Owner Participant and the Charterer do not agree on the nature of the corrections or repairs to be made, an independent marine surveyor reasonably satisfactory to the Owner Participant and the Charterer shall be selected who shall make such determination. Such determination shall be final and binding on the parties hereto. The Charterer and the Owner Participant shall equally share the costs and expenses of such surveyor.

(e) Upon redelivery of each Vessel hereunder, the Charterer will provide storage for such Vessel at a location on the Mississippi River in the New Orleans or Baton Rouge area selected in the sole discretion of the Charterer, without cost to the Shipowner or the Owner Participant, for a period of forty-five (45) days from (but not including) the date of the redelivery of such Vessel as aforesaid; provided that if suitable storage space is available at any location where the Charterer stores its own Vessels, the Vessels shall be stored at such a location, and in all events the location at which the Vessels are stored shall be no less secure than the locations at which the Charterer stores its own vessels. In the event the Shipowner or the Owner Participant insists on redelivery pursuant to Section 16(a) hereof at any other location, the Charterer shall have no such obligation to provide storage for the Vessels. During such forty-five (45) day period the Charterer shall permit access to such Vessel at all reasonable times to the Shipowner, the Owner Participant and to Persons designated by either of them in connection with any prospective sale or charter of such Vessel by the Shipowner, and shall permit the full inspection of such Vessel by such Persons, which inspection shall be at the sole cost and expense of the Shipowner, the Owner Participant or such Persons. During the period of such storage the entire

risk of loss for such Vessels (except if due to the negligence of the Charterer) is for the Shipowner and the Charterer shall have no responsibility for insurance, maintenance, taxes or repair with respect to the Vessels. Notwithstanding the foregoing, if after redelivery of the Vessels it is determined in accordance with Section 16(d) hereof that one or more Vessels must be repaired or corrected by the Charterer, the storage period for such Vessels shall be extended until the completion of such repair or correction.

Section 17. The Charterer's Option to Terminate upon Vessel Becoming Obsolete or Surplus. Notwithstanding any provision herein contained to the contrary, in the event that the Charterer shall in its judgment, as evidenced by a resolution of its Board of Directors, determine that any or all of the Vessels shall have become obsolete or surplus to the requirements of the Charterer for whatever reason or unsuitable for continued use in its business, the Charterer shall have the right at its option, on at least sixty (60) days' prior written notice to the Shipowner and the Secretary, to terminate this Charter with respect to any such Vessel on the date (for the purpose of this Section 17 called the "Termination Date") specified in such notice provided that (a) the Termination Date shall be a Charter Hire Payment Date occurring on or after March 18, 1992, (b) on the Termination Date no Event of Default shall have occurred and be continuing or would have occurred and be continuing with the passage of time or the giving of notice or both, and (c) on the Termination Date such Vessel shall be in the same condition as if being redelivered pursuant to Section 16 hereof. Upon receipt of such notice the Shipowner agrees promptly to send to the Indenture Trustee the Request and Officer's Certificate contemplated by Article Third (c) of the Indenture for a redemption of Obligations in an amount equal to the Proportionate Part of the Outstanding Obligations attributable to such Vessel. During the period from the giving of such notice until the Termination Date, the Charterer, at its own expense, as agent for the Shipowner, shall use its best efforts to obtain bids for the purchase of such Vessel, and the Charterer shall certify to the Shipowner the amount of each such bid and the name and address of the party submitting such bid. The Charterer shall in its sole discretion have the right to reject any bid. On the Termination Date (or on such later date as the Shipowner and the Charterer may mutually agree) the Shipowner shall, subject to the obtaining of any governmental consents required, sell such Vessel for cash to the bidder who shall have submitted the highest bid prior to the Termination Date unless the Charterer shall have rejected such bid, provided that any purchaser shall not be the Charterer or any Affiliate of the Charterer. The total sales price realized at such sale shall

be paid to the Shipowner, and, in addition, on the date of such sale, the Charterer shall pay to the Shipowner (in addition to any other Hire then due and payable) the excess, if any, of the Termination Value in respect of such Vessel, computed as of the Charter Hire Payment Date occurring on the date of sale by multiplying the Shipowner's Cost of such Vessel by the applicable percentage set forth as the Termination Value for such Vessel, over the net sales price of such Vessel after deducting from such sales price any reasonable costs and expenses incurred by the Shipowner in connection with such sale. All costs of delivery of such Vessel to any purchaser thereof, if any, shall be paid by the Charterer. If no sale shall occur on the date scheduled therefor as above provided, this Charter shall continue in full force and effect with respect to such Vessel. In the event of such sale and the receipt by the Shipowner of the amounts above described, the obligations of the Charterer to pay Basic Charter Hire in respect of such Vessel on each Charter Hire Payment Date shall continue to and including the Charter Hire Payment Date occurring on the date of such sale by the Shipowner, but shall then terminate. Thereupon all the rights and obligations of the Shipowner and the Charterer hereunder with respect to such Vessel shall terminate except for those obligations which by their terms survive termination of the Charter Period. The Shipowner shall not be under any duty to solicit bids, to inquire into the efforts of the Charterer to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale pursuant to this Section 17 other than to transfer or to cause to be transferred to the purchaser named in the highest bid certified by the Charterer to the Shipowner, all the right, title and interest of the Shipowner in and to such Vessel without recourse or warranty of any kind except that the Vessel shall be free and clear of Shipowner's Liens and Owner Participant's Liens. The Shipowner shall also transfer to such purchaser the original full warranty bill of sale from the Shipbuilder.

Section 18. Assignments and Subcharters. The Charterer shall have the right to (a) assign with the prior written consent of the Secretary this Charter to an Affiliate who is a Citizen or, with the prior written consent of the Shipowner and the Secretary, to a non-Affiliate who is a Citizen, provided, that, in the event of any such assignment, the Charterer shall not be released from any of its obligations and liabilities, accrued or executory, under this Charter or under the Participation Agreement, or (b) subcharter, or otherwise permit any party or parties to use (on less than a demise basis) any or all of the Vessels; provided that if such subcharter or other use is for greater than six months, the subcharterer or user shall be a Citizen and the Charterer shall

send a copy of the subcharter or other use agreement to the Shipowner and the Secretary and submit to the Secretary prior to the effective date of such subcharter or use agreement a letter or other written statement stating that the subcharterer or user is a Citizen. Any such subcharter or other use agreement shall be subject and subordinate to this Charter, shall be in compliance with Section 6(e) hereof, shall not relieve the Charterer from any of its obligations and liabilities, accrued or executory, under this Charter or under the Participation Agreement and, if for greater than six months, shall be approved by the Secretary. Except as provided in Section 2 hereof or Article VII of the Trust Agreement, the Shipowner shall not have the right to make any assignment with respect to this Charter without the prior written consent of the Charterer and of the Secretary. Anything contained in this Charter to the contrary notwithstanding, except as provided in Section 9.01(c) of Exhibit 1 to the Security Agreement, without the prior written consent of the Secretary, the Charterer shall not cause the Shipowner to sell or transfer any Vessel or title thereto to the Charterer or to any other Person pursuant to any provision of this Charter unless prior to or simultaneously therewith the Guarantees shall have terminated within the meaning of Section 3.05(1), (2) or (4) of Exhibit 1 to the Security Agreement.

Section 19. Events of Default. The following events shall constitute Events of Default:

(a) the Charterer shall fail to make any payment of Basic Charter Hire or Supplemental Hire when and as the same shall become due and payable and such failure shall continue until the earlier of (i) 10 days after written notice thereof by the Shipowner or the Secretary to the Charterer, (ii) 30 days after the failure to make such payment or (iii) the giving of a Secretary's Notice to the Indenture Trustee by the Secretary with respect to such failure; or

(b) Charterer shall fail to make any payment of Supplemental Hire relating to payment by the Shipowner of the Guarantee Fee to the Secretary and such failure shall continue until the earlier of (i) 5 days after the failure to make any payment or (ii) the giving of a Secretary's Notice to the Indenture Trustee by the Secretary with respect to such failure; or

(c) the Charterer shall fail to maintain in effect at all times insurance with respect to the Vessels as required by Section 9 hereof and such failure shall

not have been remedied within the earlier of (i) 10 days after written notice of such failure by the Shipowner or (ii) the giving of a Secretary's Notice to the Indenture Trustee by the Secretary with respect to such failure; or

(d) the Charterer shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder or under the Participation Agreement and such failure shall not have been remedied within the earlier of (i) 30 days after written notice of such failure from the Shipowner or the Secretary or (ii) the giving of a Secretary's Notice to the Indenture Trustee by the Secretary with respect to such failure; or

(e) any representation or warranty made by the Charterer herein, in the Participation Agreement or in any document or certificate furnished to the Shipowner, the Owner Participant or the Secretary in connection herewith or therewith or pursuant hereto or thereto or in the Construction Contract Assignment shall prove at any time to be incorrect as of the date made in any respect material to the transactions contemplated by the Participation Agreement and such condition shall continue unremedied for the lesser of (i) 30 days after written notice thereof from the Secretary or the Shipowner to the Charterer specifying the default and demanding that the same be remedied or (ii) the giving of a Secretary's Notice to the Indenture Trustee by the Secretary with respect to such condition; or

(f) the Charterer shall become insolvent or bankrupt or shall cease paying or providing for the payment of its debts or make an assignment for the benefit of creditors or consent to the appointment of a trustee or receiver; or a trustee or a receiver shall be appointed for the Charterer or for a substantial part of the property of the Charterer without its consent and shall not be dismissed within a period of sixty (60) days; or bankruptcy, arrangement, reorganization or insolvency proceedings shall be instituted by or against the Charterer and, if instituted against the Charterer, shall not be dismissed within a period of sixty (60) days; or

(g) The Charterer shall fail to perform or comply with any of the provisions of the Restricted Title XI Reserve Fund and Financial Agreement between the Charterer and the Secretary and such failure shall not have been

remedied within the earlier of (i) 30 days after written notice from the Secretary to the Charterer or (ii) the giving of a Secretary's Notice to the Indenture Trustee by the Secretary with respect to such failure.

Section 20. Action Following Event of Default. If any Event of Default specified in Section 19 shall have occurred and shall not have been remedied prior to the giving of a Secretary's Notice with respect thereto the Shipowner may (only after notifying the Secretary and the Indenture Trustee and after obtaining the consent of the Secretary) declare this Charter to be in default, and at any time thereafter, so long as the Charterer shall not have remedied all outstanding Events of Default, at its option, exercise any of the following rights and remedies:

(a) the Shipowner may proceed either at law, in admiralty or in equity to enforce performance by the Charterer of the applicable provisions of this Charter or to recover damages for the breach thereof; or

(b) the Shipowner may terminate this Charter, by notice in writing to the Charterer, whereupon all rights of the Charterer to the use of the Vessels shall absolutely cease and terminate, but the Charterer shall remain liable as to payment of Basic Charter Hire and Supplemental Charter Hire, as hereinafter in this clause (b) provided; and thereupon the Charterer shall, if requested by the Shipowner, forthwith at the Charterer's expense deliver or cause to be delivered the Vessels to the Shipowner at a safe berth on the Mississippi River in the New Orleans or Baton Rouge area, to be stored at the Charterer's expense and risk for a period not to exceed 45 days and, whether or not the Shipowner shall have made such a request, the Shipowner may enter upon and take possession of the Vessels, wherever found, whether underway or in any port, harbor or other place, without prior demand and without legal process, and for that purpose may enter upon any dock, pier or other premises and take such steps as may be necessary to take possession of the same and to discharge, deliver, redeliver or otherwise dispose of any cargo aboard the same, all at the sole risk, cost and expense of the Charterer; and thenceforth the Shipowner shall hold, possess and enjoy the Vessels free from any right of the Charterer; but the Shipowner may, nevertheless, recover from the Charterer all Hire which under the terms of this Charter may then be due and also recover forthwith from the Charterer (i) as liquidated damages for loss of the bargain and not as a penalty, an amount equal to the Stipulated Loss Value applicable to the Charter Hire Payment Date coinciding with or immediately preceding the date of such

payment less the fair market sales value of the Vessels as of such payment date (as determined, at the expense of the Charterer, in accordance with the Appraisal Procedure set forth in Section 21(b) hereof); provided, however, that the fair market sales value shall be zero if the Shipowner is unable to recover possession of the Vessels in accordance with the terms of this Section 20(b); provided further, however, that if one or more Vessels have been sold by the Shipowner on or prior to the date of payment of liquidated damages, the Charterer shall pay, with respect to such Vessels, an amount equal to the Stipulated Loss Value then applicable for such Vessels less the sale price of such Vessels but plus any expenses incurred by the Shipowner in connection with such sale; (ii) interest on the Stipulated Loss Value aforesaid from such Charter Hire Payment Date to the date of payment at the Default Rate; (iii) any damages which the Shipowner shall have sustained by reason of the breach of any provision of this Charter other than for the payment of Basic Charter Hire; and (iv) any expenses, including reasonable attorney's fees, which the Shipowner shall have incurred by reason of the breach of any provision of this Charter (unless already paid for in accordance with the second proviso of clause (i) of this Section 20(b)). To the extent that liquidated damages under the clause (i) above shall not have been determined on the basis of actual sale price pursuant to the second proviso thereof the Shipowner shall pay over to the Charterer an amount equal to the excess, if any, of (x) the net proceeds of any sale, charter or other disposition of the Vessels after deducting all costs and expenses whatsoever incurred by the Shipowner in connection therewith and not theretofore reimbursed by the Charterer, over (y) the fair market sales value of the Vessels actually used for purposes of computing such liquidated damages, up to an amount equal to the liquidated damages actually paid by the Charterer hereunder.

(c) The Shipowner or its agent may sell any Vessel at public or private sale, with or without notice to the Charterer, advertisement or publication, as the Shipowner may determine, or otherwise may dispose of, hold, use, operate or charter (whether for a period greater or less than the balance of what would have been the Charter Period in the absence of the termination of the rights of the Charterer to the Vessels) to others, all on such terms and conditions and at such place or places as the Shipowner may reasonably determine and all free and clear of any rights of the Charterer.

At any time after an Event of Default shall have occurred and be continuing, the Shipowner may request the Charterer to deliver, and the Charterer shall deliver, as soon as possible, a certificate setting forth the current location

of all of the Vessels.

The remedies in this Charter provided in favor of the Shipowner shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law, in admiralty or equity; provided that the Shipowner may not exercise any such other remedies without the prior written consent of the Secretary. The Charterer hereby waives, so far as permitted by law, any notice to quit or notice of re-entry or of the institution of legal proceedings to that end, any right of re-entry or repossession, or any other requirements of law, now or hereafter in effect, which may require the Shipowner to sell, lease, or otherwise use the Vessels in mitigation of Shipowner's damages as set forth in this Section or which might limit or modify the remedies herein provided.

The failure of the Shipowner to exercise its rights granted it hereunder, or the partial exercise of such rights, upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such rights upon the continuation or recurrence of any such contingencies or similar contingencies or preclude any other or further exercise of such rights or of any other rights.

The Shipowner may, at its option but at the expense of and for the account of the Charterer, and without waiving any of the rights of the Shipowner against the Charterer, cure any such Event of Default, and if the Shipowner shall so cure any such Event of Default it shall be entitled to interest at the Default Rate from the date of curing such Event of Default until reimbursed by the Charterer, on the amount expended by the Shipowner to cure any such Event of Default.

The Shipowner agrees not to waive any Events of Default hereunder without the prior written consent of the Secretary.

Section 21. Renewal of Charter upon Expiration.

(a) The Charterer shall have the right, exercisable by giving a Renewal Notice to the Shipowner at least ten months prior to the expiration of the Charter Period, to renew and extend the Original Term and the first Renewal Term, as the case may be, 5, 10, 15 or all of the Vessels from the stated expiration date hereof for a period of two years at a charter rate payable semi-annually in arrears which shall be equal to the fair market bareboat charter hire then applicable to such Vessel or Vessels as of the expiration date of the Charter Period as determined by agreement between the Shipowner and the Charterer, or, if they fail to reach such agreement within 20 days of such notice,

in accordance with the Appraisal Procedure set out in Section 21(b) hereof. Such Renewal Notice shall set forth the number of Vessels to be renewed and, before determining the fair market bareboat charter value thereof, the parties hereto agree to pick on a random basis which Vessels shall be included in such number.

(b) "Appraisal Procedure" shall mean the following procedure for determining the fair market sales value or the fair market bareboat charter hire or both, as the case may be, of a Vessel or Vessels (provided that for the purposes of this definition "Vessel" and "Vessels" shall not include any equipment or appurtenance owned by a third party lessor or which remain or become the property of the Charterer pursuant to this Charter): If the appropriate party hereto shall have given written notice to the other requesting determination of such value by the Appraisal Procedure, each party shall appoint an independent appraiser within 15 days of the giving of such notice. Each appraiser so appointed shall be instructed to independently determine the fair market sales value or the fair market bareboat charter hire or both, as the case may be, of the Vessel or Vessels in accordance with the respective definitions of such terms contained herein and within 40 days of the giving of such notice. If only one appraiser shall have been so appointed within 15 days of the giving of such notice, or if two appraisers shall have been so appointed but only one such appraiser shall have made such determination within 40 days of the giving of such notice, then the determination of such appraiser shall be final and binding upon the parties. If two appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed 10% of the lesser of such amounts, then the fair market sales value or the fair market bareboat charter hire or both, as the case may be, of the Vessel or Vessels shall be an amount equal to 50% of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed 10% of the lesser of such amounts, or if neither appraiser shall have made a determination within 40 days of the giving of notice then such two appraisers shall have 15 days to appoint a third appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within 15 days of such request, and both parties shall be bound by any appointment so made within such 15 day period. If no such appraiser shall have been appointed within such 15 days or within 90 days of the original notice requesting a determination pursuant to the Appraisal Procedure, whichever is earlier, either party may apply to any

court having jurisdiction to make such appointment, and both parties shall be bound by any appointment made by such court. Any appraiser appointed by the original appraisers, by the American Arbitration Association or by such court shall be instructed to determine the fair market sales value or the fair market bareboat charter hire or both, as the case may be, of the Vessel or Vessels in accordance with the respective definitions of such terms contained herein and within 30 days after its appointment. The determination of the appraiser which differs most from the determinations of the other two appraisers shall be excluded, and 50% of the sum of the remaining two determinations shall be final and binding upon the parties hereto as the fair market bareboat charter hire or the fair market sales value, as the case may be. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law and any determination shall be final and binding upon the parties except as otherwise provided by applicable law. The Charterer and the Shipowner shall each pay the fees and disbursements of any appraiser appointed by it and shall share equally the fees and expenses of any third appraiser and any other costs and expenses of any appraisal pursuant to this Section 21(b).

(c) Notwithstanding the foregoing provisions of this Section 21, the Charterer's request for a determination of fair market bareboat charter hire shall not obligate the Charterer to exercise its option provided in this Section 21. If the Charterer does not exercise such option, the Charterer shall pay all costs and expenses of any appraisal pursuant to Section 21(b) hereof and shall notify the Shipowner of the decision not to exercise such option at least 180 days prior to the termination of the Charter Period.

Section 22. Notices. All notices and other communications hereunder shall be mailed postage prepaid by certified mail, return receipt requested, and addressed to the Charterer and the Shipowner, respectively, at the addresses set forth on the signature page and to the Secretary at Secretary of Transportation c/o Maritime Administrator, Maritime Administration, Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590, or at such other address or addresses as such parties shall hereafter specify in writing to the other parties hereto. Copies of all notices and other communications to the Shipowner hereunder shall be given by the Charterer to the Owner Participant at its address set forth in the Participation Agreement.

Section 23. Miscellaneous. (a) This Charter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(b) All amounts and moneys referred to in this Charter shall be construed to mean money which at the time is lawful money of the United States.

(c) The section headings are for convenience only and shall not be construed as a part of this Charter.

(d) Except as otherwise provided herein, this Charter shall be governed by and construed in accordance with the laws of the United States and the Commonwealth of Pennsylvania.

(e) If any payment to be made by the Charterer hereunder shall become due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

(f) Any payment not made by the Charterer to the Shipowner when due as provided in this Charter shall bear interest from the due date thereof at the Default Rate until paid.

(g) If the Shipowner fails to make any payment required to be made by it hereunder or under the Participation Agreement, the Mortgage or the Security Agreement or fails to perform or comply with any of its agreements contained herein or therein, and such failure continues for 10 days after written notice thereof from the Charterer to the Shipowner the Charterer may itself make such payment or perform or comply with such agreement, and the amount of such payment and the amount of the reasonable expenses of the Charterer incurred in connection with such agreement, as the case may be, together with interest thereon at the Default Rate, shall be payable by the Shipowner to the Charterer upon demand.

Section 24. Severability; Effect and Modification of Charter. Any provision of this Charter which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or enforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

No variation or modification of this Charter and no

waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Shipowner and the Charterer, and consented to by the Secretary.

Section 25. Sale, Consolidation, Merger or Change of Name. (a) Without the prior written consent of the Shipowner and the Secretary, the Charterer will not merge or consolidate with any other corporation or sell, lease, transfer or otherwise dispose of substantially all of its assets to any Person; provided, however, that no such consent of the Shipowner or the Secretary shall be required in the event of any consolidation or merger if (i) the Charterer is the corporation surviving such consolidation or merger, (ii) such surviving corporation shall be a Citizen and shall have furnished the Secretary with proof satisfactory to the Secretary of such United States citizenship and (iii) no Event of Default (or other event which with the passage of time or the giving of notice or both would become an Event of Default) shall exist immediately following such consolidation or merger.

(b) The Shipowner and the Secretary may rely upon an opinion of counsel for the Charterer that any such consolidation, merger or sale, and any such succession, complies with the provisions of this Section.

(c) With the prior written consent of the Shipowner and the Secretary, any such sale may be on such terms as to release the corporation which is the Charterer immediately prior to such sale from all of its obligations under this Charter, and, in such event, the Shipowner, if so requested by such corporation, shall execute and deliver such instruments as may be deemed by such corporation to be necessary or applicable to give effect to and confirm such release.

(d) Upon any such consolidation, merger or sale, the corporation (if not the Charterer) formed by or surviving such consolidation or merger, or to which such sale shall have been made, shall succeed to and be substituted for the Charterer with the same effect as if it had been named herein and shall execute and deliver such instruments or agreements assuming the Charterer's obligations hereunder as reasonably requested by the Shipowner.

(e) The Charterer shall not change its name without prior written notice to the Shipowner and the Secretary.

Section 26. Performance of Obligations to the Secretary. Notwithstanding any other provision of this Charter to the

contrary, each of the provisions of this Charter which requires or permits action by the Secretary, the consent, approval or authorization of the Secretary, the furnishing of any document, paper or information to the Secretary, or the performance of any other obligation to the Secretary shall not be effective, and the sections containing such provisions shall be read as though there were no such requirements or permissions after the Guarantees shall have terminated pursuant to Section 3.05(1), (2) or (4) of Exhibit 1 to the Security Agreement and the Guarantee Commitment, the Security Agreement and the Mortgage shall no longer be in effect.

Section 27. Definitions. For all purposes of this Charter, unless otherwise expressly provided or unless the context otherwise requires:

(1) All references herein to sections or other subdivisions, unless otherwise specified, refer to the corresponding sections and other subdivisions of the Charter;

(2) The terms "hereof", "herein", "hereby", "hereto", "hereunder", and "herewith" refer to this Charter;

(3) Capitalized terms used herein which are not defined herein but which are defined in Schedule X attached hereto, or by reference therein to other instruments, shall have the respective meanings stated therein or in such other instruments.

Section 28. Cover Casualty. Upon the occurrence of a Cover Casualty, the Charterer shall give prompt written notice thereof and shall, within 45 days after the occurrence of such Cover Casualty, cause to be duly conveyed to the Shipowner as a replacement for the Cover with respect to which such Cover Casualty occurred, title to another cover of the same or another manufacturer of the same, an equivalent or an improved model and suitable for installation and use on the related Vessel, free and clear of all Liens not excepted in Section 6(d) hereof and having a value and utility at least equal to, and being in as good operating condition as, the Cover with respect to which such Cover Casualty occurred, assuming such Cover was in the condition and repair required by the terms hereof immediately prior to the occurrence of such Cover Casualty. Prior to or at the time of any such conveyance, the Charterer at its own expense will (i) cause to be furnished to the Shipowner a bill of sale, in form and substance reasonably satisfactory to the Shipowner, with respect to such replacement Cover and (ii) cause a Charter Supplement, in form and substance

reasonably satisfactory to the Shipowner, to be duly executed by the Charterer to the effect that, upon such conveyance, the Shipowner will acquire full title to such replacement Cover and that it will be chartered hereunder and subject to the security interest and mortgage created by, and subject to all of the terms of, the Mortgage and the Security Agreement, to the same extent as the Cover replaced thereby. Upon full compliance by the Charterer with the terms of this Section 28 the Shipowner will pay to the Charterer all insurance proceeds as a result of such Cover Casualty and will transfer to the Charterer, without recourse or warranty (except as to the absence of Shipowner's Liens and Owner Participant's Liens), all of the Shipowner's right, title and interest in and to the Cover with respect to which such Cover Casualty occurred and such Cover shall thereupon cease to be a Cover chartered hereunder. For all purposes hereof, each such replacement cover shall, after such conveyance, be deemed part of the property chartered hereunder and shall be deemed a "Cover" as defined herein. Except as provided below, no Cover Casualty with respect to a Cover under the circumstances contemplated by the terms of this Section 28 shall result in any reduction in Basic Charter Hire.

Notwithstanding the foregoing paragraph of this Section 28, the Charterer may, at its option, instead of replacing the Cover as aforesaid, notify the Shipowner, within 45 days after such Cover Casualty, that it intends to pay Stipulated Loss Value with respect to such Cover. Such notice shall specify a Loss Payment Date which shall be not more than 75 or less than 50 days after the date such notice is given by the Charterer, on which the Charterer will make the payment specified in the following paragraph. Promptly after receipt of such notice, the Shipowner shall (i) give to the Indenture Trustee written instructions to redeem Outstanding Obligations on the Loss Payment Date pursuant to Section 3.05 of Exhibit 1 to the Indenture and (ii) take such actions as shall from time to time be reasonably requested by the Charterer to cause the Secretary to give to the Indenture Trustee the written instructions to so redeem Outstanding Obligations as contemplated by said Section 3.05. The Charterer shall continue to pay Basic Charter Hire when due on each Charter Hire Payment Date occurring during the period from and including the occurrence of the event giving rise to the Cover Casualty to and including the Loss Payment Date.

The Charterer shall pay to the Shipowner on the Loss Payment Date an amount equal to the sum of (a) the Stipulated Loss Value for such Cover determined as of the Charter Hire Payment Date on or immediately preceding the Loss Payment Date

plus (b) interest, at the rate of interest on the Obligations, on the amount specified in the immediately preceding clause (a) for the period from such Charter Hire Payment Date to and including the Loss Payment Date plus (c) all other Hire (including, without limitation, Basic Charter Hire due through the Charter Hire Payment Date on or immediately preceding the Loss Payment Date) due on or prior to the Loss Payment Date. Upon payment of such Stipulated Loss Value and all Hire then due hereunder, Shipowner's Cost of the Vessel as to which such Cover relates shall be reduced by the amount set forth in the Charter Supplement for such Vessel under the caption "Shipowner's Cost of Covers". Thereupon the Shipowner will transfer to the Charterer, without recourse or warranty (except as to the absence of Shipowner's Liens and Owner Participant's Liens), all of the Shipowner's right, title and interest in and to such Cover, and such Cover shall thereupon cease to be a Cover chartered hereunder.

IN WITNESS WHEREOF, the Charterer and the Shipowner have executed this Charter the day and year first above written.

DRAVO MECHLING CORPORATION

By: *W. J. Mellonaro*
Vice President

One Oliver Plaza
Pittsburgh, Pennsylvania 15222

Attention: Vice President, Finance

THE CONNECTICUT BANK AND TRUST
COMPANY, not in its individual
capacity but solely as owner
trustee as aforesaid

By: 
Assistant Vice President

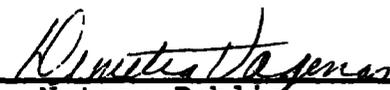
One Constitution Plaza
Hartford, Connecticut 06115

Attention: Corporate Trust
Department

ALL OF THE SHIPOWNER'S RIGHT, TITLE AND INTEREST IN
AND TO THE ABOVE CHARTER AND ALL HIRE DERIVED THEREFROM ARE
SUBJECT TO A SECURITY INTEREST IN FAVOR OF THE UNITED STATES
OF AMERICA, REPRESENTED BY THE SECRETARY OF TRANSPORTATION,
ACTING BY AND THROUGH THE MARITIME ADMINISTRATOR, IN ACCORDANCE
WITH THE PROVISIONS OF A SECURITY AGREEMENT BETWEEN THE SHIPOWNER
AND THE SECRETARY AS SECURED PARTY AND AN ASSIGNMENT OF CHARTER
GIVEN PURSUANT THERETO BETWEEN THE SHIPOWNER AND THE SECRETARY.
TO THE EXTENT THAT SUCH CHARTER MAY BE DEEMED TO CONSTITUTE
"CHATTEL PAPER" UNDER THE UNIFORM COMMERCIAL CODE OF ANY
JURISDICTION, NO SECURITY INTEREST MAY BE OBTAINED IN SUCH
CHARTER EXCEPT BY POSSESSION OF THE COUNTERPART THEREOF DENOTED
"COUNTERPART NO. 1".

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this 18th day of March, 1982, before me personally appeared W. J. Mollenauer, to me personally known, who, being by me duly sworn, says that he is a Vice President of DRAVO MECHLING CORPORATION, that said instrument was signed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.


Notary Public

DEMETRA VAGENAS
Notary Public, State of New York
No. 31-4684597
Qualified in New York County
Commission Expires March 30, 1983

[Notarial Seal]

My Commission expires

STATE OF NEW YORK)
)ss.:
COUNTY OF NEW YORK)

On this 18th day of March, 1982, before me personally appeared Michael J. Rister, to me personally known, who, being by me duly sworn, says that he is an Assistant Vice President of THE CONNECTICUT BANK AND TRUST COMPANY, that said instrument was signed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.


Notary Public

DEMETRA VAGENAS
Notary Public, State of New York
No. 31-4684597
Qualified in New York County
Commission Expires March 30, 1983

[Notarial Seal]

My Commission expires

Filed with the Interstate Commerce Commission pursuant to 49
U.S.C. §11303 on _____, 198_ at _____ M., recordation
number _____.

CHARTER SUPPLEMENT NO. ____

THIS CHARTER SUPPLEMENT NO. __, dated _____, 198_,
to Bareboat Charter dated as of April 1, 1981 (the "Charter")
between DRAVO MECHLING CORPORATION (the "Charterer") and THE
CONNECTICUT BANK AND TRUST COMPANY, not in its individual
capacity but solely as owner trustee under the Trust Agreement
dated as of April 1, 1981 between it and New England Merchants
Leasing Corporation B-7 (in its capacity as such owner trustee,
the "Shipowner").

WITNESSETH:

WHEREAS, the Charter provides for the execution and
delivery on the Delivery Date of a Vessel or Vessels of a Charter
Supplement, substantially in the form hereof;

NOW, THEREFORE, in consideration of the premises and
other good and sufficient consideration, the Shipowner and the
Charterer hereby agree as follows:

(1) The Shipowner hereby confirms that it has
let, chartered and demised to the Charterer under the
Charter, and the Charterer hereby confirms that it has

unconditionally accepted and hired from the Shipowner under the Charter, for all purposes thereof the following numbered Vessel(s) (the "delivered Vessel(s)") with the Official Number and designation by the Charterer as follows:

<u>Name</u>	<u>Hull No.</u>	<u>Official No.</u>
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(2) The Delivery Date of each delivered Vessel is the date of this Charter Supplement.

(3) The Shipowner's Cost of each delivered Vessel and the Cover relating thereto on the Delivery Date is as follows:

<u>Hull Number</u>	<u>Shipowner's Cost of Vessel Including Cover</u>	<u>Shipowner's Cost of Cover</u>
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(4) The Charterer hereby confirms as between it and the Shipowner that the delivered Vessels comply with the requirements of the Charter and with all specifications of the Construction Contract; provided, however, that nothing contained herein shall in any way diminish or otherwise affect any right which the Charterer, the Shipowner or the Lender may have with respect to such Vessels against Dravo Corporation or any subcontractor of Dravo Corporation under the Construction Contract or otherwise.

Filed with the Interstate Commerce Commission pursuant to 49
U.S.C. §11303 on _____, 198_ at _____ M., recordation
number _____.

CHARTER SUPPLEMENT NO. ____

THIS CHARTER SUPPLEMENT NO. __, dated _____, 198_,
to Bareboat Charter dated as of April 1, 1981 (the "Charter")
between DRAVO MECHLING CORPORATION (the "Charterer") and THE
CONNECTICUT BANK AND TRUST COMPANY, not in its individual
capacity but solely as owner trustee under the Trust Agreement
dated as of April 1, 1981 between it and New England Merchants
Leasing Corporation B-7 (in its capacity as such owner trustee,
the "Shipowner").

WITNESSETH:

WHEREAS, the Charter provides for the execution and
delivery on the Delivery Date of a Vessel or Vessels of a Charter
Supplement, substantially in the form hereof;

NOW, THEREFORE, in consideration of the premises and
other good and sufficient consideration, the Shipowner and the
Charterer hereby agree as follows:

(1) The Shipowner hereby confirms that it has
let, chartered and demised to the Charterer under the
Charter, and the Charterer hereby confirms that it has

IN WITNESS WHEREOF, the Shipowner and the Charterer have caused this Charter Supplement to be duly executed as of the day and year first above written.

DRAVO MECHLING CORPORATION

By: _____
Vice President

THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as owner trustee as aforesaid

By: _____
Assistant Vice President

ALL OF THE SHIPOWNER'S RIGHT, TITLE AND INTEREST IN AND TO THE ABOVE CHARTER SUPPLEMENT AND ALL HIRE DERIVED THEREFROM ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF THE LENDER NAMED THEREIN IN ACCORDANCE WITH THE PROVISIONS OF A SECURITY AGREEMENT BETWEEN THE SHIPOWNER AND SAID LENDER AS SECURED PARTY. TO THE EXTENT THAT SUCH CHARTER SUPPLEMENT MAY BE DEEMED TO CONSTITUTE "CHATTEL PAPER" UNDER THE UNIFORM COMMERCIAL CODE OF ANY JURISDICTION, NO SECURITY INTEREST MAY BE OBTAINED IN SUCH CHARTER SUPPLEMENT EXCEPT BY POSSESSION OF THE COUNTERPART THEREOF DENOTED "COUNTERPART NO. 1".

COMMONWEALTH OF PENNSYLVANIA)
) ss.:
COUNTY OF ALLEGHENY)

On this ____ day of _____, 198_, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is a _____ of DRAVO MECHLING CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

COMMONWEALTH OF PENNSYLVANIA)
) ss.:
COUNTY OF ALLEGHENY)

On this ____ day of _____, 198_, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is a _____ of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Notary Public

[Notarial Seal]

My Commission expires

Schedule Two
to
Bareboat Charter

Stipulated Loss Values
and
Termination Values

<u>Charter Hire Payment Date</u>	<u>Stipulated Loss Value Percentage*</u>	<u>Termination Value Percentage*</u>
December 31, 1981	109.359387	102.315144
June 30, 1982	107.630412	105.544282
December 31, 1982	109.906540	107.778339
June 30, 1983	108.055678	106.582029
December 31, 1983	109.103250	107.599881
June 30, 1984	109.909512	108.375824
December 31, 1984	110.408068	108.843450
June 30, 1985	110.643192	109.047020
December 31, 1985	110.537905	108.909542
June 30, 1986	110.224846	108.563643
December 31, 1986	109.812858	108.118153
June 30, 1987	109.374967	107.646084
December 31, 1987	108.907921	107.144171
June 30, 1988	108.406252	106.606932
December 31, 1988	107.877820	106.042212
June 30, 1989	107.316715	105.444087
December 31, 1989	106.731548	104.821155
June 30, 1990	106.105880	104.156959
December 31, 1990	105.449535	103.461309
June 30, 1991	104.765960	102.737636
December 31, 1991	104.045567	101.976338
June 30, 1992	103.291396	101.180436
December 31, 1992	102.505524	100.351992
June 30, 1993	100.915641	98.112232
December 31, 1993	98.893927	95.591870
June 30, 1994	96.328043	92.959392
December 31, 1994	93.667113	90.230526
June 30, 1995	90.884902	87.379007

* After payment of all other Hire due and payable on the applicable Charter Hire Payment Date.

December 31, 1995	87.999723	84.423134
June 30, 1996	84.984299	81.335569
December 31, 1996	81.874785	78.152469
June 30, 1997	78.627255	74.829870
December 31, 1997	75.265076	71.391108
June 30, 1998	71.757960	67.805863
December 31, 1998	68.147563	64.115764
June 30, 1999	64.372671	60.259560
December 31, 1999	60.479061	56.282999
June 30, 2000	56.434295	52.153609
December 31, 2000	52.258407	47.891391
June 30, 2001	47.917781	43.462694
December 31, 2001	43.438015	38.893080
June 30, 2002	38.784173	34.147579
December 31, 2002	34.002983	29.272881
June 30, 2003	29.150137	24.324641
December 31, 2003	25.000000	20.000000

AMENDMENT NO. 1 TO
AMENDED AND RESTATED BAREBOAT CHARTER

This Amendment, dated December 27, 1982, to Amended and Restated Bareboat Charter dated as of March 18, 1982 (the "Charter") between THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as owner trustee under the Trust Agreement (the "Shipowner"), dated as of April 1, 1981, as amended, between it and New England Merchants Leasing Corporation B-7 (the "Owner Participant"), and DRAVO MECHLING CORPORATION, a Delaware corporation, having its principal place of business at One Oliver Plaza, Pittsburgh, Pennsylvania 15222 ("Dravo").

WITNESSETH:

WHEREAS, in connection with the refinancing on March 18, 1982 of certain interim debt which was furnished by Pittsburgh National Bank ("PNB") and incurred in connection with the purchase by the Shipowner of the barges covered by the Charter, Dravo paid interim charter hire in the amount of \$142,605.95, which amount equaled the amount of interest due on such interim debt and on June 30, 1982 Dravo paid the first installment of Basic Charter Hire required pursuant to Section 3(a) of the Charter in the amount of \$341,442.71.

WHEREAS, the parties agree that as a result of a misunderstanding the aggregate amount of interim charter

hire and Basic Charter Hire heretofore paid by Dravo under the Charter during the year 1982, together with the amount of Basic Charter Hire payable on December 31, 1982, will be in excess of the amount which Dravo originally anticipated would be paid during the year 1982 by an amount equal to the amount of interim charter hire paid by Dravo on March 18, 1982; and

WHEREAS, the parties agree that on or before December 31, 1982, the Shipowner will refund such excess to Dravo and that the installments of Basic Charter Hire payable on December 31, 1982 and on each subsequent Charter Hire Payment Date should be adjusted accordingly.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Section 3(a) of the Charter is hereby amended by (i) deleting "5.122930%" from line 6 and inserting "5.271196%" in lieu thereof, and (ii) deleting "6.261353%" from line 7 and inserting "6.442567%" in lieu thereof.

2. Schedule Two to the Charter is hereby amended by substituting therefor a new Schedule Two as set forth in Exhibit 1 hereto.

3. On or before December 31, 1982, the Shipowner agrees to pay Dravo the amount of \$142,605.95.

4. Except as herein amended, the Charter shall remain in full force and effect as originally executed on the date thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective Officers thereunto duly authorized as of the day and year first above written.

DRAVO MECHLING CORPORATION

BY: 
Vice President

One Oliver Plaza
Pittsburgh, Pennsylvania 15222

Attention: Vice President, Finance

THE CONNECTICUT BANK AND TRUST
COMPANY, not in its individual
capacity but solely as owner
trustee as aforesaid

BY: 
~~Assistant~~ Vice President

One Constitution Plaza
Hartford, Connecticut 06115

Attention: Corporate Trust Department

COMMONWEALTH OF PENNSYLVANIA)
) ss.:
COUNTY OF ALLEGHENY)

On this 28th day of December, 1982, before me personally appeared W. J. Mallemann, to me personally known, who, being by me duly sworn, says that he is a resident of DRAVO MECHLING CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Jeanette P. Marks
Notary Public

[Notarial Seal]

My Commission expires

JEANETTE P. MARKS, NOTARY PUBLIC
PITTSBURGH, ALLEGHENY COUNTY
MY COMMISSION EXPIRES AUG. 3, 1985
Member, Pennsylvania Association of Notaries

STATE OF Connecticut)
) ss.:
COUNTY OF Hartford)

On this 30th day of December, 1982, before me personally appeared M. J. Rister, to me personally known, who, being by me duly sworn, says that he is a resident of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed, and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Sherie M. Daniels
Notary Public

[Notarial Seal]

My Commission expires

SHERIE M. DANIELS
NOTARY PUBLIC
MY COMMISSION EXPIRES MARCH 31, 1985

Schedule Two
to
Bareboat Charter

Stipulated Loss Values
and
Termination Values

<u>Charter Hire Payment Date</u>	<u>Stipulated Loss Value Percentage*</u>	<u>Termination Value Percentage*</u>
December 31, 1981	109.359387	102.315144
June 30, 1982	110.393655	108.274817
December 31, 1982	112.980990	110.819420
June 30, 1983	109.272549	107.925470
December 31, 1983	110.316811	108.942565
June 30, 1984	111.112610	109.710648
December 31, 1984	111.588919	110.158684
June 30, 1985	111.788723	110.329644
December 31, 1985	111.639968	110.151463
June 30, 1986	111.271345	109.752820
December 31, 1986	110.814469	109.265320
June 30, 1987	110.333769	108.753377
December 31, 1987	109.838121	108.225858
June 30, 1988	109.317383	107.672604
December 31, 1988	108.780806	107.102856
June 30, 1989	108.217818	106.506028
December 31, 1989	107.638002	105.891690
June 30, 1990	107.030468	105.248937
December 31, 1990	106.405435	104.587975
June 30, 1991	105.751416	103.897302
December 31, 1991	105.079148	103.187642
June 30, 1992	104.376825	102.447173
December 31, 1992	103.655893	101.687324
June 30, 1993	102.186122	100.177853
December 31, 1993	100.656498	97.720855
June 30, 1994	98.449860	95.028392
December 31, 1994	95.734641	92.244171
June 30, 1995	92.890981	89.330116
December 31, 1995	89.950896	86.318218
June 30, 1996	86.874767	83.168828
December 31, 1996	83.696164	79.915485
June 30, 1997	80.373462	76.516537
December 31, 1997	76.942557	73.007848
June 30, 1998	73.359867	69.345805
December 31, 1998	69.663428	65.568412
June 30, 1999	65.807277	61.629676
December 31, 1999	61.832637	57.570784
June 30, 2000	57.690603	53.342800
December 31, 2000	53.425697	48.990210
June 30, 2001	48.986167	44.461227
December 31, 2001	44.420660	39.804464
June 30, 2002	39.674062	34.964769
December 31, 2002	34.799516	29.995249
June 30, 2003	29.875251	24.974094
December 31, 2003	25.000000	20.000000

* After payment of all other Hire due and payable on the applicable Charter Hire Payment Date.

AMENDMENT NO. 1 TO
AMENDED AND RESTATED BAREBOAT CHARTER

This Amendment, dated December 27, 1982, to Amended and Restated Bareboat Charter dated as of March 18, 1982 (the "Charter") between THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as owner trustee under the Trust Agreement (the "Shipowner"), dated as of October 1, 1981, as amended, between it and New England Merchants Leasing Corporation B-7 (the "Owner Participant"), and DRAVO MECHLING CORPORATION, a Delaware corporation, having its principal place of business at One Oliver Plaza, Pittsburgh, Pennsylvania 15222 ("Dravo").

WITNESSETH:

WHEREAS, in connection with the refinancing on March 18, 1982 of certain interim debt which was furnished by Pittsburgh National Bank ("PNB") and incurred in connection with the purchase by the Shipowner of the barges covered by the Charter, Dravo paid interim charter hire in the amount of \$271,942.80, which amount equaled the amount of interest due on such interim debt and on June 30, 1982 Dravo paid the first installment of Basic Charter Hire required pursuant to Section 3(a) of the Charter in the amount of \$742,669.70.

WHEREAS, the parties agree that as a result of a misunderstanding the aggregate amount of interim charter

hire and Basic Charter Hire heretofore paid by Dravo under the Charter during the year 1982, together with the amount of Basic Charter Hire payable on December 31, 1982, will be in excess of the amount which Dravo originally anticipated would be paid during the year 1982 by an amount equal to the amount of interim charter hire paid by Dravo on March 18, 1982; and

WHEREAS, the parties agree that on or before December 31, 1982, the Shipowner will refund such excess to Dravo and that the installments of Basic Charter Hire payable on December 31, 1982 and on each subsequent Charter Hire Payment Date should be adjusted accordingly.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Section 3(a) of the Charter is hereby amended by (i) deleting "5.138188%" from line 6 and inserting "5.245463%" in lieu thereof, and (ii) deleting "6.280007%" from line 7 and inserting "6.411121%" in lieu thereof.

2. Schedule Two to the Charter is hereby amended by substituting therefor a new Schedule Two as set forth in Exhibit 1 hereto.

3. On or before December 31, 1982, the Shipowner agrees to pay Dravo the amount of \$271,942.80.

4. Except as herein amended, the Charter shall remain in full force and effect as originally executed on the date thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective Officers thereunto duly authorized as of the day and year first above written.

DRAVO MECHLING CORPORATION

BY: 
Vice President

One Oliver Plaza
Pittsburgh, Pennsylvania 15222

Attention: Vice President, Finance

THE CONNECTICUT BANK AND TRUST
COMPANY, not in its individual
capacity but solely as owner
trustee as aforesaid

BY: 
Assistant Vice President

One Constitution Plaza
Hartford, Connecticut 06115

Attention: Corporate Trust Department

COMMONWEALTH OF PENNSYLVANIA)
)
) ss.:
COUNTY OF ALLEGHENY)

On this 28th day of December, 1982, before me personally appeared W. J. Mallesauer, to me personally known, who, being by me duly sworn, says that he is a manager of DRAVO MECHLING CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Jeanette P. Marks
Notary Public

[Notarial Seal]

My Commission expires

JEANETTE P. MARKS, NOTARY PUBLIC
PITTSBURGH, ALLEGHENY COUNTY
MY COMMISSION EXPIRES AUG. 3, 1985
Member, Pennsylvania Association of Notaries

STATE OF Connecticut)
)
) ss.:
COUNTY OF Hartford)

On this 30th day of December, 1982, before me personally appeared M. J. Rister, to me personally known, who, being by me duly sworn, says that he is a VICE PRESIDENT of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Sheree M. Daniels
Notary Public

[Notarial Seal]

My Commission expires

SHEREE M. DANIELS
NOTARY PUBLIC
MY COMMISSION EXPIRES MARCH 31, 1985

Schedule Two
to
Bareboat Charter

Stipulated Loss Values
and
Termination Values

<u>Charter Hire Payment Date</u>	<u>Stipulated Loss Value Percentage*</u>	<u>Termination Value Percentage*</u>
December 31, 1981	109.359387	102.315144
June 30, 1982	109.027918	106.909079
December 31, 1982	112.330844	110.169273
June 30, 1983	109.277666	107.930587
December 31, 1983	110.657137	109.282890
June 30, 1984	111.736478	110.334516
December 31, 1984	112.412738	110.982503
June 30, 1985	112.746817	111.287738
December 31, 1985	112.652928	111.164422
June 30, 1986	112.260603	110.742079
December 31, 1986	111.747420	110.198271
June 30, 1987	111.210650	109.630258
December 31, 1987	110.655422	109.043158
June 30, 1988	110.077075	108.432296
December 31, 1988	109.477919	107.799969
June 30, 1989	108.854747	107.142957
December 31, 1989	108.208979	106.462667
June 30, 1990	107.537402	105.755871
December 31, 1990	106.842336	105.024877
June 30, 1991	106.118660	104.264547
December 31, 1991	105.371712	103.480206
June 30, 1992	104.596279	102.666626
December 31, 1992	103.805174	101.836606
June 30, 1993	102.272066	100.263797
December 31, 1993	100.673872	97.749296
June 30, 1994	98.371165	94.949696
December 31, 1994	95.545118	92.054647
June 30, 1995	92.612775	89.051910
December 31, 1995	89.584167	85.951489
June 30, 1996	86.477683	82.771744
December 31, 1996	83.262418	79.481739
June 30, 1997	79.928917	76.071992
December 31, 1997	76.468361	72.533652
June 30, 1998	72.870889	68.856827
December 31, 1998	69.126120	65.031105
June 30, 1999	65.227420	61.049819
December 31, 1999	61.183334	56.921481
June 30, 2000	56.978534	52.630731
December 31, 2000	52.662539	48.227052
June 30, 2001	48.196204	43.671264
December 31, 2001	43.648328	39.032132
June 30, 2002	38.958325	34.249032
December 31, 2002	34.204138	29.399871
June 30, 2003	29.502154	24.600998
December 31, 2003	25.000000	20.000000

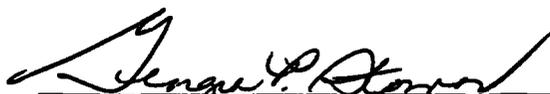
* After payment of all other Hire due and payable on the applicable Charter Hire Payment Date.

Consent

The Maritime Administrator hereby consents to the execution and delivery of the Amended and Restated Bareboat Charters by the parties thereto in the respective forms attached hereto.

United States of America
Secretary of Transportation

By: Maritime Administrator

A handwritten signature in cursive script, appearing to read "George P. Brown", written over a horizontal line.

By: Assistant Secretary
Maritime Administration

**AMENDMENT NO. 2 TO
AMENDED AND RESTATED BAREBOAT CHARTER (NM-1)**

This Amendment, dated February 24, 1989, to Amended and Restated Bareboat Charter dated as of March 18, 1982, as amended by Amendment No. 1 dated December 27, 1982 (the "Charter"), between THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not in its individual capacity but solely as owner trustee (the "Shipowner") under the Trust Agreement, dated as of April 1, 1981, as amended, between it and New England Merchants Leasing Corporation B-7, a Massachusetts Corporation (the "Owner Participant"), and NATIONAL MARINE, INC. (formerly called Dravo Mechling Corporation), a Delaware corporation, having its chief executive office at 1515 Poydras, Suite 1500, New Orleans, Louisiana 70152 (the "Charterer").

WITNESSETH:

WHEREAS, the Shipowner and the Charterer have heretofore entered into the Charter pursuant to which the Shipowner let and demised to the Charterer, and the Charterer hired, the Vessels on the terms and conditions set forth therein;

WHEREAS, as contemplated by the Refinancing Agreement, the Shipowner has on the date hereof refinanced its outstanding United States Government Guaranteed Ship Financing Obligations, DMC 1 Series (the "Title XI Obligations"), through the issuance of Secured Notes to NEMLC Leasing Corporation (the "Loan Participant") secured by, among other things, the Security Agreement and the First Preferred Fleet Mortgage each dated the date hereof from the Shipowner to the Loan Participant;

WHEREAS, as an inducement to refinance the Title XI Obligations and thereby relieve it of certain agreements with the Secretary of Transportation, the Charterer has agreed, among other things, to provide additional collateral to the Shipowner, as security for the performance of the Charterer's obligations under the Charter including a first preferred fleet mortgage on certain vessels (the "Collateral Mortgage") and a second preferred fleet mortgage on certain other Vessels (the "Second Preferred Fleet Mortgage") and to amend the Charter to conform it to the terms of the refinancing and in certain other respects.

Filed with the Interstate Commerce Commission pursuant to
49 U.S.C. § 11303 on February , 1989 at , recordation
number .

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Section 1. (i) The terms "Security Agreement" and "Mortgage" wherever used in the Charter are intended to refer to the Security Agreement and the Mortgage, respectively, as each has been executed and delivered on the date hereof by the Owner Trustee and the Loan Participant, (ii) all references in the Charter to the "Secretary", the "Secretary of Commerce", the "Secretary of Transportation", the "United States" and the "Depository" shall be deemed to be references to the "Loan Participant" unless the context otherwise requires and (iii) all references in the Charter to the Obligations shall be deemed to be references to the Secured Notes.

Section 2. The Charter is hereby amended as follows:

(a) Section 1 is hereby amended by changing the date "December 31, 2003" in the first sentence thereof to "December 31, 2001."

(b) The provisions of Section 2(b) are hereby restated as of the date hereof (it being understood that the phrases "Mortgage" and "Security Agreement" as used in said Section refer to the instruments executed on the date hereof) and the Charterer hereby specifically consents to the mortgage, pledge and assignment effected by the Assignment of Collateral Mortgage and the Assignment of Second Preferred Fleet Mortgage.

(c) The first paragraph of Section 3(a) is hereby amended (i) by changing the phrase "forty four (44) installments" in the fourth line thereof to "forty (40) installments", (ii) by changing the number "22" in the seventh line thereof to the number "18", (iii) by changing the date "December 31, 2003" in the last line thereof to "December 31, 2001" and (iv) by deleting the second paragraph thereof.

(d) Schedule Two to the Charter is hereby amended by substituting therefor a new Schedule Two as set forth in Exhibit 1 hereto.

(e) The phrase "Pittsburgh Clearing House" in the second sentence of Section 3(d) is hereby replaced by the phrase "New Orleans Clearing House."

(f) Sections 3(e) and (f) are hereby deleted (but without relettering the subsequent sections).

(g) Section 3(h) is hereby amended by changing the phrase "Obligations" in the fourth line thereof to the phrase "Secured Notes."

(h) Section 3(i) is hereby amended by replacing the phrase "Depository Agreement" in the fifth, sixth and seventh lines thereof with the phrase "Security Agreement" and changing the phrase "Section 7" to "Section 10.01" in the seventh line thereof.

(i) Section 4 is hereby amended by substituting the phrase "Note Closing Date" for the phrase "Obligation Closing Date" in the first and second sentences of the first paragraph thereof and by substituting the following for the "NOTICE OF FLEET MORTGAGE AND CHARTER" in the second sentence thereof:

"NOTICE OF FLEET MORTGAGE AND CHARTER

This Vessel is owned by The Connecticut Bank and Trust Company, National Association, not in its individual capacity but solely as trustee (the "Shipowner"), and is covered by a First Preferred Fleet Mortgage in favor of NEMLC Leasing Corporation under authority of Chapter 313 of Title 46 of the United States Code and is under Bareboat Charter to National Marine, Inc. No person has any right to create or permit to be placed upon this Vessel any lien whatsoever other than liens for wages of a stevedore when employed directly by Shipowner, National Marine, Inc. or the master or agent of this Vessel and for the wages of the crew in respect of this Vessel under certain conditions, for general average, or for salvage, or certain liens subordinate to the Mortgage incident to current operations or for repairs."

(j) Section 5(d) is hereby amended by inserting a period after the word "Agreement" in the third line thereof and by deleting the remaining portion of the Section.

(k) Section 8(c) is hereby amended (i) by deleting the phrase "Section 8.01 of Exhibit 1 to the Indenture and (ii) by deleting the last sentence thereof in its entirety.

(l) Section 9 is hereby deleted in its entirety and the following is substituted therefor:

"Section 9. Insurance. (a) The Charterer shall at all times while this Charter shall remain in effect maintain at its own expense:

(i) protection and indemnity insurance with respect to each of the Vessels in such amounts, subject to such deductible or retention amounts, against such risks and under such forms as are then common or customary with respect to vessels similar to the Vessels and engaged in trades similar to the trades in which the Vessels are engaged by other owners and operators of such vessels, provided that such protection and indemnity insurance (including excess policies) shall in all events:

(w) provide limits of liability of not less than \$25,000,000 per occurrence (and contain no annual limits on liability);

(x) provide for deductible or retained amounts not exceeding \$1,000,000 per annum with respect to all vessels owned or chartered by the Charterer plus \$10,000 per occurrence;

(y) provide protection on an "occurrence" basis (rather than on a "claims made" basis); and

(z) provide protection against liabilities arising out of pollution or the spillage or leakage of cargo; and

(ii) marine, hull and machinery insurance on each of the Vessels under the latest (at the time of issue of the policies in question) forms of American or London Institute of Marine Underwriters, provided that such marine, hull and machinery insurance shall in all events:

(x) be in an amount with respect to each Vessel that is not less than the greater of the full commercial value thereof and the applicable Stipulated Loss Value for such Vessel;

(y) with respect to an accident, occurrence or event that does not result in an actual or constructive total loss of a Vessel or an agreed or compromised total loss of a Vessel, provide for deductible or retained amounts that do not exceed \$750,000 per annum with respect to all vessels owned or chartered by the Charterer plus \$25,000 per occurrence; and

(z) with respect to an accident, occurrence or event that results in an actual or constructive total loss of a Vessel or an agreed or compromised total loss of a Vessel, provide for no deductible or retained amount.

Any insurance maintained by the Charterer with respect to the Vessels shall in no event be lesser in amount, or subject to greater deductible or retention amounts, or cover fewer risks, or be under less favorable forms than the Charterer maintains with respect to other vessels owned or chartered by it that are similar to the Vessels and engaged in trades similar to the trades in which the Vessels are engaged.

(b) All insurance policies required under paragraph (a) of this Section 9 shall:

(i) name the Shipowner, in its individual capacity and as trustee, and each Participant as additional insureds and as loss payees in accordance with the provisions of paragraph (g) below,

(ii) provide that in respect of the respective interests of the Shipowner and each Participant in such policies the insurance shall not be invalidated by any action or inaction of the Charterer or any other person (other than the Shipowner or such Participant, as the case may be) and shall insure the Shipowner and each Participant regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Charterer or any other person (other than the Shipowner or such Participant, as the case may be) and shall insure the Charterer and each Participant regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Charterer or any other person (other than the Shipowner or such Participant, as the case may be),

(iii) provide that if such insurance is cancelled by the insurers for any reason whatsoever, or such insurance is allowed to lapse for non-payment of premium, or such insurance coverage is reduced or any other material change is made with respect thereto, then such cancellation, lapse, reduction or change shall not be effective as to the Charterer, the Shipowner or any Participant for 30 days after receipt by the Charterer, the Shipowner and such Participant, respectively, of written notice by such insurers of such cancellation, lapse, reduction or material change, and

(iv) provide that there shall be no recourse against the Shipowner (except to the extent of its interest in the Vessels) or any Participant for the payment of premiums, commissions, club calls, assessments or advances.

Each insurance policy with respect to protection and indemnity insurance shall:

(i) be primary without right of contribution from any other insurance which is carried by the Shipowner or any Participant and

(ii) expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

(c) The Charterer shall not permit any of the Vessels to undertake any voyage or participate in any venture or transport any cargo which is not permitted by the insurance then in effect.

(d) The Charterer shall deliver to the Shipowner copies of all certificates and, if requested by the Shipowner, copies of all binders and policies with respect to insurance from time to time carried on the Vessel pursuant to this Section 9. In addition, on or before January 31 in each year commencing January 31, 1990, the Charterer shall furnish or cause to be furnished to the Shipowner a signed report by independent marine insurance brokers, selected by the Charterer and acceptable to the Shipowner, describing in reasonable detail the insurance pursuant to this Section 9 and stating that in the opinion of such brokers such insurance complies in all material respects with the terms of this Section 9.

(e) The Charterer shall, at its own expense, have the duty and responsibility to make all proofs of loss and take all other steps necessary to collect from underwriters, insurance companies or funds any loss under any insurance with respect to any of the Vessels obtained by the Charterer as required by this Section 9.

(f) Nothing in this Section 9 shall prohibit the Shipowner or any Participant from placing additional insurance on or with respect to any of the Vessels or the operation thereof, unless such insurance would conflict with insurance that is carried by the Charterer. In the event that the Charterer shall fail to maintain any insurance which it is required to maintain pursuant to this Section 9, the Shipowner may at its sole option provide such insurance and, in such event, the Charterer shall, upon demand, reimburse the Shipowner for the costs thereof without waiver of any other additional rights the Shipowner may have.

(g) Any sums payable as a result of a loss under insurance on any of the Vessels with respect to protection and indemnity risks, including liability arising out of pollution or the spillage or leakage of cargo or collision or tower's liability, may be paid directly to the person to whom any

liability covered by such insurance has been incurred or, if the liability insured against has been discharged, to the Shipowner, any Participant or the Mortgagor to reimburse it or them for any loss, damage or expense insured by it or them and covered by such insurance. Each policy of insurance maintained under clause (ii) of paragraph (a) of this Section 9 shall provide that any payment that is to be made under such policy (other than with respect to protection and indemnity risks) shall be made solely to the Shipowner if such payment (i) is in respect of losses equal to or greater than \$50,000, or (ii) is in respect of an actual or constructive total loss of a Vessel or an agreed or compromised total loss of a Vessel, or (iii) without regard to the amount or character of the loss, is made after the insurer has received notice from the Shipowner or any Participant that an Event of Default has occurred and is continuing, and before such notice is rescinded. Any such insurance recoveries to which the Shipowner shall be so entitled pursuant to the preceding sentence shall be applied as follows:

(1) In the event that the insurance becomes payable on account of an accident, occurrence or event involving a Vessel that does not result in an actual or constructive total loss or an agreed or compromised total loss of such Vessel,

(A) if no Event of Default shall have occurred and be continuing, the Shipowner shall, upon the written request of the Charter, (i) apply the proceeds of insurance to pay, or consent that the underwriters pay, directly for repairs, liabilities, salvage claims or other charges and expenses (including labor charges due or paid by the Charterer) with respect to such Vessel that are covered by the policies, or (ii) to the extent that the Charterer shall have repaired the damage to such Vessel and paid the cost thereof or discharged or paid such liabilities, salvage claims or other charges and expenses with respect to such Vessel (such fact having been certified to in a certificate of an authorized officer of the Charterer ("Officer's Certificate") delivered to the Shipowner, accompanied by written confirmation by the underwriter, a surveyor, an adjuster or a marine insurance broker), apply the proceeds of insurance to reimburse, or consent that the underwriters reimburse, the Charterer therefor, and (iii) (after all known damages with respect to the particular loss shall have been repaired, except to the extent the Charterer with the written consent of the Shipowner deems the said repair inadvisable, and all known costs, liabilities, salvage claims, charges and expenses with respect to such Vessel that are

covered by the policies shall have been discharged or paid, such fact having been certified to by an Officer's Certificate delivered to the Shipowner, accompanied by written confirmation by the underwriter, a surveyor, an adjuster or a marine insurance broker) pay, or consent that the underwriters pay, any balance of the proceeds of insurance to the Charterer; or

(B) if an Event of Default shall have occurred and be continuing, no payment shall be made to the Charterer but all proceeds of insurance received by the Shipowner shall, so long as any Event of Default shall have occurred and be continuing, (y) be applied by the Shipowner, if it so elects, for the purposes stated in clause (A) of this subparagraph (1) or (z) be applied in the manner provided in subparagraph (2) of this paragraph (g) as if a total loss of the Vessel had occurred;

(2) In the event that the insurance becomes payable on account of an accident, occurrence or event involving a Vessel that results in an actual or constructive total loss or an agreed or compromised total loss of such Vessel, the Charterer shall forthwith deposit with the Shipowner any insurance money which the Charterer receives on account of such loss together with an amount from the Charterer's own funds equal to any deductible or retention amount applicable to such loss under such policies of insurance (which payment by the Charterer shall be deemed to be insurance proceeds for all purposes of this Charter), and any such insurance moneys recovers by the Shipowner (whether from the Charter, any insurer or otherwise) shall be applied by the Shipowner in accordance with the provisions of Section 2.09 of the Security Agreement.

(h) During the continuance of a taking, requisition or charter of the use of any of the Vessels by the United States of America, the provisions of this Section 9 shall be deemed to have been complied with in all respects as to such Vessel or Vessels if the United States Government shall have agreed (i) to reimburse the Shipowner and the Charterer for loss or damage resulting from the risks indicated in paragraph (a) of this Section 9, or (ii) that the Shipowner and the Charterer shall be entitled to just compensation therefor. In the event of any taking, requisition or charter of any of the Vessels contemplated by this paragraph (h), the Charterer shall promptly furnish to the Shipowner an Officer's Certificate stating that such taking, requisition or charter has occurred and that the United States Government has agreed (i) to reimburse the Shipowner and the

Charterer for loss or damage resulting from the risks indicated in paragraph (a) of this Section 9 or (ii) that the Shipowner and the Charterer are entitled to just compensation therefor.

(i) In the event that any claim or lien is asserted against any of the Vessels for loss, damage or expense which is covered by insurance hereunder and it is necessary for the Charterer to obtain a bond or supply other security to prevent arrest of such Vessel or Vessels, or to obtain the release of such Vessel or Vessels from arrest on account of said claim or lien, the Shipowner, upon the written request of the Charterer, may, but shall not be required to, assign all or any part of its right, title and interest in and to said insurance covering such loss, damage or expense, to any person executing a surety or guaranty bond or other agreement to save or release such Vessel or Vessels from such arrest as collateral security to indemnify against liability under said bond or other agreement.

(m) Section 13(g) of the Charter is hereby deleted in its entirety.

(n) The second sentence of Section 14(a) of the Charter is hereby deleted in its entirety.

(o) Section 15 is hereby amended by deleting the phrase "Ship Mortgage Act, 1920, as amended" in the eighth line thereof and substituting therefor the phrase "Chapter 313 of Title 46 of the United States Code."

(p) Section 17 is hereby amended by deleting the second sentence thereof in its entirety.

(q) Section 18 is hereby amended by deleting the last sentence thereof in its entirety.

(r) Section 19 is hereby amended as follows:

(i) paragraph (a) is hereby amended by deleting the phrase "or (iii) the giving of a Secretary's Notice to the Indenture Trustee by the Secretary with respect to such failure;"

(ii) paragraph (b) is hereby deleted in its entirety and the following is substituted therefor:

"(b) an Event of Default shall have occurred under the Related Amended and Restated Bareboat Charter; or"

(iii) paragraph (c) is hereby amended by (x) deleting the phrase "the earlier of (i)" in the fourth line thereof and (y) deleting the phrase "or (ii) the

giving of a Secretary's Notice to the Indenture Trustee by the Secretary with respect to such failure";

(iv) paragraph (d) is hereby amended by inserting after the phrase "Agreement" in the fourth line thereof the phrase "the Refinancing Agreement, the Collateral Mortgage or the Second Preferred Fleet Mortgage";

(v) paragraph (e) is hereby amended by (x) inserting after the phrase "Agreement" in the second line thereof the phrase "the Refinancing Agreement, the Collateral Mortgage or the Second Preferred Fleet Mortgage", (y) inserting after the phrase "Agreement" in the ninth line thereof the phrase "or the Refinancing Agreement" and (z) deleting the phrase "the lesser of (i)" in the tenth line thereof and the phrase "or (ii) the giving of a Secretary's Notice to the Indenture Trustee by the Secretary with respect to such condition"; and

(vi) paragraph (g) shall be deleted in its entirety.

(s) Section 20(a) of the Charter is hereby amended by (x) deleting the phrase "prior to the giving of a Secretary's Notice with respect thereto" in the third and fourth lines thereof and (y) deleting the phrase "and the Indenture Trustee" from the fifth line thereof.

(t) Section 22 is hereby amended by (x) deleting in the first sentence thereof the address of the "Secretary" and substituting the Loan Participant's address at "28 State Street, P.O. Box 2332, Boston, MA 02109", and (y) by substituting in the last line of the second sentence thereof the phrase "Refinancing Agreement" for the phrase "Participation Agreement."

(u) Section 25 is hereby deleted in its entirety and the following shall be substituted therefor:

"Section 25. Change of Name. The Charterer shall not change its name without the prior written notice to the Shipowner and the Loan Participant."

(v) Section 26 is hereby amended by deleting in the tenth and eleventh and twelfth lines thereof the phrase "the Guarantees shall have terminated pursuant to Section 3.05(1), (2) and (4) of Exhibit 1 to the Security Agreement and the Guarantee Agreement,".

(w) Paragraph (3) of Section 27 is hereby amended by deleting Schedule X in its entirety and substituting therefor Schedule X attached hereto and by amending Schedule X attached

hereto to add the following definitions in their proper alphabetical order:

"Assignment of Collateral Mortgage" means the Assignment of the First Preferred Fleet Mortgage (NMI-1) dated the Note Closing Date from the Owner Trustee to the Loan Participant, as the same may be modified, amended or supplemented from time to time in accordance with the applicable provisions thereof.

"Assignment of Second Preferred Fleet Mortgage" means the Assignment of the Second Preferred Fleet Mortgage (NMI-1) dated the Note Closing Date from the Owner Trustee to the Loan Participant, as the same may be modified, amended or supplemented from time to time in accordance with the applicable provisions thereof.

"Collateral Mortgage" means the First Preferred Fleet Mortgage (NMI-1) dated the Note Closing Date from the Charterer to the Owner Trustee, as the same may be amended, modified or supplemented in accordance with applicable provisions thereof.

"Related and Amended Restated Bareboat Charter" means the Amended and Restated Bareboat Charter dated March 18, 1982, as amended, between the Charterer and The Connecticut Bank and Trust Company, as Owner Trustee, relating to forty barges named DM 3001 through DM 3040.

"Second Preferred Fleet Mortgage" means the Second Preferred Fleet Mortgage dated the Note Closing Date from the Charterer to the Owner Trustee, relating to forty barges named DM 3001 through DM 3040, as the same may be modified, amended or supplemented from time to time in accordance with the applicable provisions.

(x) Section 28 is hereby amended by deleting the third sentence in the second paragraph thereof in its entirety.

(y) a new Section 29 is hereby inserted after Section 28 to provide as follows:

Section 29. Financial Covenants.

(a) Stockholders' Equity. The Charterer shall at all times maintain a Stockholders' Equity equal to not less than Ten Million Dollars (\$10,000,000).

(b) Working Capital. The Charterer shall at all times maintain Working Capital equal to not less than One Dollar (\$1).

(c) Total Consolidated Indebtedness to Stockholders' Equity. The Charterer shall not permit or suffer the ratio of Total Consolidated Indebtedness to Stockholders' Equity to be

(i) greater than five to one at any time from the date hereof to and including December 31, 1993, and (ii) greater than four and one half (4.5) to one at all times thereafter. In addition, at all times after December 31, 1993, the Charterer shall use its best efforts to reduce or maintain such ratio to a level no greater than four to one.

(d) Distributions. The Charterer and its subsidiaries shall not (i) make any Distributions in any Fiscal Year in an amount that exceeds, in the aggregate, fifty percent (50%) of After-Tax Profits for the preceding Fiscal Year or (ii) make any Distribution at any time when a Default Condition shall have occurred and be continuing, excluding any Distributions made by a subsidiary to the Charterer.

(e) Consolidation, Merger, Dissolution, Sale of Assets, Etc. Except with the prior written consent of each of the Participants, the Charterer shall not directly or indirectly:

(i) consolidate with or merge into any other person or permit any other person to consolidate with or merge into the Charterer; or

(ii) dissolve, liquidate or wind up its business and affairs; or

(iii) sell, convey, lease or otherwise dispose of its property as an entirety or substantially as an entirety to any other person; or

(iv) sell, convey, lease, charter, assign, transfer or otherwise dispose of assets during any period of 12 consecutive calendar months (excluding for such purpose any sale, lease or charter in the ordinary and regular course of the Charterer's business, as such business was conducted during the most recent fiscal year ended before the date of this instrument, of property that is held by the Charterer for such sale, lease or charter) that represent more than ten percent (10%) of all of the assets owned by the Charterer at the beginning of such 12-month period, as determined in accordance with GAAP; or

(v) abandon or dispose of any property of the Charterer without receiving reasonable consideration therefor, unless the Charterer reasonably determines that such property is worn out, obsolete or surplus to the needs of the Charterer and that a sale or transfer of such property for consideration is not economically practicable.

(f) Certain Defined Terms. The following terms shall have the respective meanings set forth below for all purposes of this Section 29:

"After-Tax Profits" shall mean, for any Fiscal Year, the consolidated net income of the Charterer and its subsidiaries for such Fiscal Year after deducting all charges which should be deducted before arriving at consolidated net income for such Fiscal Year, all determined in accordance with GAAP as approved by independent public accountants, and (without duplication) deducting the Allowance for Taxes for such Fiscal Year. For purposes of the preceding sentence, the "Allowance for Taxes" for any Fiscal Year shall mean an amount equal to all taxes imposed on or measured by net income, whether federal, state or local, and whether foreign or domestic, that are paid or payable by the Charterer and its subsidiaries in respect of such Fiscal Year, provided that if the Charterer and its subsidiaries are members of a larger consolidated group of corporations in respect of any Fiscal Year, the Allowance for Taxes shall be equal to the highest of (i) the Allowance for Taxes determined without reference to this proviso, or (ii) the amount of all taxes that would be imposed on or measured by net income that would be paid or payable by the Charterer and its subsidiaries if they were not members of such consolidated group, or (iii) the total of all taxes imposed on or measured by net income that are paid or payable by the Charterer and its subsidiaries plus the amount of any payments made or required to be made to any other members of such consolidated group under any tax sharing arrangement or that are otherwise in lieu of the payment of such taxes.

"Default Condition" shall mean any default, breach or similar event or condition that would entitle any holder or holders of any Indebtedness of the Charterer or any subsidiary of the Charterer, or of any Indebtedness of any other person that is Guaranteed by the Charterer or any subsidiary of the Charterer, or any fiduciary acting on behalf of any such holder or holders, (i) to accelerate the maturity of any such Indebtedness, either in whole or in part, or (ii) to exercise any remedies against any property owned by the Charterer or any subsidiary of the Charterer that is subject to any mortgage, pledge, lien, charge, security interest or similar encumbrance on any property owned by such person, or (iii) to exercise any remedies under any lease or charter covering any property leased or chartered to the Charterer or any subsidiary of the Charterer, or (iv) to demand any payment or payments from the Charterer or any subsidiary under any Guarantee (other than any such payments that the Charterer or such subsidiary is obligated to make in the ordinary and regular course of its own business); provided that a Default Condition shall no longer be deemed to exist in the event that the default, breach or similar event or condition referred to above with respect to the applicable Indebtedness shall have been cured by the Charterer in accordance with the terms of such Indebtedness.

"Distribution" shall mean and include, with respect to the Charterer or any subsidiary of the Charterer, (i) the

declaration or payment of any dividend or other distribution on its capital stock, (ii) the purchase, redemption or other acquisition or retirement for value of any shares of the capital stock of the Charterer or of any Affiliate, (iii) the making of any investment in any Affiliate (except an investment in a wholly-owned subsidiary of the Charterer or such subsidiary, as the case may be, or an investment by such subsidiary in the Charterer), or (iv) any payment to any Affiliate on account of the principal of any Indebtedness to any affiliate (except a payment to a wholly-owned subsidiary of the Charterer or such subsidiary, as the case may be, or a payment by such subsidiary to the Charterer), or (iv) any other payment made or property transferred to any Affiliate to the extent that such payment or the fair market value of such property exceeds the amount that would have been paid in a similar transaction conducted on an arms-length basis with a person who is not an Affiliate.

"Fiscal Year" shall mean the fiscal year of the Charterer, which begins on January 1 and ends on December 31 of each calendar year.

[paragraph intentionally omitted]

"GAAP" shall mean generally accepted accounting principles as defined by the Financial Accounting Standards Board or any organization succeeding to the functions of such Board, as from time to time supplemented and amended, consistently applied or applied in accordance with alternative, supplemental or amended generally accepted accounting principles with the approval of the independent public accountants for the Charterer. All accounting terms not specifically defined herein shall be construed in accordance with GAAP, and all financial information submitted pursuant to this Charter shall be prepared in accordance with GAAP except as otherwise required by the express provisions of this Charter.

"Guarantee" by any person shall mean (i) all guarantees, sales with recourse, endorsements (other than for collection or deposit in the ordinary course of business) and other obligations, contingent or otherwise, to pay, purchase, repurchase or otherwise acquire or become liable in respect of any Indebtedness of others, (ii) without limiting the generality of the foregoing, all obligations, contingent or otherwise, to purchase products, supplies or other property or services from others under agreements requiring payment therefor regardless of the non-delivery or non-furnishing thereof, or to make investments in others, or to maintain the capital, working

capital, solvency or general financial conditions of others, or to indemnify others against or hold them harmless from damages, losses and liabilities, all under circumstances intended to enable such others or any others to discharge any of their Indebtedness or to comply with agreements relating to their Indebtedness or otherwise to assure or protect their creditors against loss in respect of such Indebtedness. "Guaranteed" shall have a meaning correlative to the definition of "Guarantee."

"Indebtedness" as applied to any person shall mean all obligations and reserves which in accordance with GAAP should be reflected on the liability side of such person's balance sheet, including without limitation all leases and charters that are so required to be reflected on the liability side of such person's balance sheet, but excluding Stockholders' Equity.

"Stockholders' Equity" shall mean, at any time, the amount of stockholders' equity or comparable line item which in accordance with GAAP would appear on a consolidated balance sheet of the Charterer and its subsidiaries.

"Total Consolidated Indebtedness" shall mean, at any time, the aggregate amount of all Indebtedness of the Charterer and its subsidiaries at such time, including Indebtedness constituting current liabilities of the Charterer or its subsidiaries, but excluding any Indebtedness of a subsidiary which is owed to the Charterer.

"Working Capital" shall mean, at any time, the Current Assets of the Charterer at such time less the Current Liabilities of the Charterer at such time. For purposes of the foregoing definition, the term "Current Liabilities" shall mean current liabilities determined in accordance with GAAP, excluding any obligations on account of loans made under any revolving loan facility with a bank or financial institution and any accrued obligations on account of rent or hire under any operating lease (except, in either case, obligations that are due and payable at the time of determination) and Current Assets shall include the current portion determined in accordance with GAAP, of all intercompany and affiliate company notes and accounts receivable.

(g) Review of Financial Covenants. Upon the request of either the Charterer or the Shipowner, the parties shall in good faith review the covenants set forth in this Section 29 for the purpose of determining whether changes in such covenants may be appropriate. Neither the parties hereto nor any Participant shall have any obligation whatsoever to make or cause to be made any changes in such covenants.

(h) Information and Reports to be Furnished by the Charterer.

(i) Promptly upon becoming aware of the existence of any condition or event which constitutes an Event of Default or a Default by the Charterer or any condition or event which, with the passage of time or notice or both would constitute such an Event of Default pursuant to the provisions of this Charter or the other Principal Documents to which the Charterer is a party, the Charterer shall give the Shipowner and each Participant written notice thereof specifying the nature of such condition or event.

(ii) In addition to the financial information to be provided by the Charterer as set forth in other Principal Documents, the Charterer will provide the Shipowner and each Participant with: (a) quarterly consolidated and consolidating financial statements of the Charterer and its subsidiaries (including their balance sheets, statements of income and surplus account, statements of changes in financial position and statement of profit and loss; which statements of profit and loss shall include a statement of profit and loss based on the cost of inventory calculated on a first-in-first-out basis), within thirty (30) days after the end of their first three (3) fiscal quarters, accompanied by a certificate of the President or Chief Financial Officer of the Charterer stating that such financial statements were prepared in accordance with generally accepted accounting principles consistently applied and fairly, accurately and completely present the results of operations and financial condition of the Charterer and its subsidiaries for the fiscal quarter then ended and as of the end of such fiscal quarter subject to normal year end adjustment; (b) annual consolidated and consolidating financial statements of the Charterer and its subsidiaries (including their balance sheets, statements of income and surplus account, statements of changes in financial position and statements of profit and loss; which profit and loss statements shall include a statement of profit and loss based on the cost of inventory calculated on a first-in-first-out basis) within ninety (90) days after the end of each fiscal year, together with the opinion of independent certified public accountants, which accountants shall be a nationally recognized independent accounting firm selected by the Charterer and reasonably acceptable to the Shipowner and the Participants, that such consolidated and consolidating financial statements have been prepared in accordance with generally accepted

accounting principles consistently applied, and present fairly, accurately and completely the results of operations and financial condition of the Charterer and its subsidiaries for the year then ended and as of the end of such year; (c) promptly after delivery thereof, any management letters and reports by such independent certified public accountants to the Charterer; and (d) such schedules of Accounts, together with any further financial and other information regarding the Vessels or other collateral, as the Shipowner or any Participant may reasonably request from time to time.

(iii) Simultaneously with the delivery of each of the annual consolidated and consolidating financial statements as set forth herein, the Shipowner and each Participant shall receive a certificate executed by the Chief Financial Officer of the Charterer certifying the absence (or existence) of any Event of Default pursuant to the provisions hereof and the absence (or existence) of any event or condition which, with the passage of time or the giving of notice or both would constitute an Event of Default. Should any such Event of Default or event of condition exist, said certificate shall set forth such event or condition or Event of Default in reasonable detail together with a description of any action contemplated being taken with respect thereto.

(iv) The Charterer will promptly notify the Shipowner and each Participant in writing of any investigation, action, suit, proceeding or claim which would result in any material adverse change in their business, properties, assets, goodwill or condition, financial or otherwise.

(v) The Charterer will promptly provide the Shipowner and each Participant with any information, notices, requests or reports filed with, or furnished to, or received from any governmental or regulatory authority which is material to the Charterer.

Section 3. Except as herein amended, the Charter shall remain in full force and effect as originally executed on the date thereof.

Section 4. This Amendment No. 2 to Amended and Restated Bareboat Charter may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective Officers thereunto duly authorized as of the day and year first above written.

NATIONAL MARINE, INC.

BY: _____
Vice President

1515 Poydras
Suite 1500
New Orleans, Louisiana 70152

Attention: President

THE CONNECTICUT BANK AND TRUST
COMPANY, NATIONAL ASSOCIATION,
not in its individual capacity
but solely as owner trustee as
aforesaid

BY: _____
Assistant Vice President

One Constitution Plaza
Hartford, Connecticut 06115

Attention: Corporate Trust
Department CTHMA06K

ALL OF THE SHIPOWNER'S RIGHT, TITLE AND INTEREST IN AND TO THE ABOVE-MENTIONED CHARTER AS AMENDED HEREBY ("THE CHARTER AMENDMENT") AND ALL HIRE DERIVED THEREFROM ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF NEMLC LEASING CORPORATION. IN ACCORDANCE WITH THE PROVISIONS OF A SECURITY AGREEMENT BETWEEN THE SHIPOWNER AND NEMLC LEASING CORPORATION AS SECURED PARTY TO THE EXTENT THAT SUCH CHARTER MAY BE DEEMED TO CONSTITUTE "CHATTEL PAPER" UNDER THE UNIFORM COMMERCIAL CODE OF ANY JURISDICTION, NO SECURITY INTEREST MAY BE OBTAINED IN SUCH CHARTER EXCEPT BY POSSESSION OF THE COUNTERPART OF THE CHARTER AND THE CHARTER AMENDMENT DENOTED "COUNTERPART NO. 1".

Exhibit 1

**Schedule Two
to
Bareboat Charter**

**Stipulated Loss Values
and
Termination Values**

<u>Charter Hire Payment Date</u>	<u>Stipulated Loss Value Percentage*</u>	<u>Termination Value Percentage*</u>
2/24/89**	109.605165	108.178120
6/30/89	108.177173	106.700548
12/30/89	107.614228	106.063772
6/30/90	106.193178	104.565199
12/30/90	104.643705	102.934327
6/30/91	103.035962	101.241114
12/30/91	101.378571	99.493982
6/30/92	99.659261	97.680442
12/30/92	97.886533	95.808773
6/30/93	94.873565	92.691917
12/30/93	91.761394	89.470663
6/30/94	88.535534	86.130267
12/30/94	85.205047	82.679517
6/30/95	81.753405	79.101598
12/30/95	78.189415	75.405018
6/30/96	74.496288	71.572671
12/30/96	70.682562	67.612764
6/30/97	66.731168	63.507880
12/30/97	62.650357	59.265904
6/30/98	58.429285	54.875610
12/30/98	54.170294	50.438935
6/30/99	49.754825	45.836898
12/30/99	45.177160	41.063337
6/30/00	40.431371	36.111857
12/30/00	35.511318	30.975828
6/30/01	30.410635	25.648371
12/30/01	25.000378	20.000000

* After payment of all other Hire due and payable on the applicable Charter Hire Payment Date.

** Closing Date

**EXHIBIT 6 to
SECURITY AGREEMENT**

**Participation Agreement,
as amended**

PARTICIPATION AGREEMENT

dated as of
April 1, 1981

among

DRAVO MECHLING CORPORATION,

Charterer,

NEW ENGLAND MERCHANTS LEASING CORPORATION B-7,

Owner Participant,

THE CONNECTICUT BANK AND TRUST COMPANY,
in its individual capacity and as owner trustee,

Shipowner

and

PITTSBURGH NATIONAL BANK,

Lender

**20 Box Hopper Barges
With Roll Top Covers
Hull Nos. 8231 through 8250**

Index to Participation Agreement*

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This PARTICIPATION AGREEMENT, dated as of April 1, 1981, among DRAVO MECHLING CORPORATION, a Delaware corporation (the "Charterer"), NEW ENGLAND MERCHANTS LEASING CORPORATION B-7, a Massachusetts corporation (the "Owner Participant"), THE CONNECTICUT BANK AND TRUST COMPANY, a Connecticut banking corporation, in its individual capacity for purposes of Sections 6, 17 and 18(b) hereof (the "Bank"), and otherwise solely as owner trustee under the Trust Agreement, dated as of the date hereof, between it and the Owner Participant (in its capacity as owner trustee, the "Shipowner") and PITTSBURGH NATIONAL BANK, a national banking association (the "Lender").

PRELIMINARY STATEMENT

A. As provided in Section 1 hereof, the capitalized terms used herein which are defined in Schedule X hereto or by reference therein to other agreements or instruments shall, unless otherwise defined herein, have the respective meanings stated in Schedule X or such other agreements or instruments.

B. The Charterer has entered into the Construction Contract with the Shipbuilder providing for the construction of the Vessels;

C. The Charterer will assign to the Shipowner its rights under the Construction Contract pursuant to the Construction Contract Assignment substantially in the form of Exhibit A hereto;

D. The Shipowner will purchase the Vessels in accordance with the terms hereof and of the Construction Contract and the Construction Contract Assignment, which purchase will be financed in part by an investment or investments by the Owner Participant and in part by a loan or loans from the Lender which will be evidenced by one or more Secured Notes, which Secured Notes will be secured by the Security Agreement substantially in the form of Exhibit B hereto, and by the Mortgage substantially in the form of Exhibit C hereto on the Vessels delivered on the first Delivery Date and by a Mortgage Supplement in respect of the Vessels delivered on each succeeding Delivery Date and substantially in the form attached to the Mortgage;

E. The Charterer will charter the Vessels from the Shipowner pursuant to the Charter substantially in the form of Exhibit D hereto;

F. The Guarantor will guaranty certain of the Owner

Participant's obligations hereunder pursuant to the Guaranty substantially in the form of Exhibit E hereto;

G. The Bank and the Owner Participant have concurrently herewith entered into the Trust Agreement substantially in the form of Exhibit H hereto; and

H. The parties hereto intend that the Secured Notes shall be refinanced by and replaced with the Refinancing Obligations, and that the parties will enter into such additional documents or amendments to this Agreement and the documents contemplated hereby as are customary in connection with the issuance of said Obligations.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, the parties hereto agree as follows:

Section 1. Definitions. For all purposes of this Agreement, unless otherwise expressly provided or unless the context otherwise requires:

(1) All references herein to Sections or other subdivisions, unless otherwise specified, refer to the corresponding Sections and other subdivisions of this Agreement;

(2) The terms "hereof", "herein", "hereby", "hereto", "hereunder" and "herewith" refer to this Agreement; and

(3) The capitalized terms used herein which are defined in Schedule X to this Agreement or by reference therein to other instruments or forms of instruments, as such capitalized terms may be amended from time to time in accordance with the provisions of this Agreement, shall have the respective meanings stated in Schedule X or such other instruments.

Section 2. Investments by the Owner Participant; Loans by the Lender. (a) On each Delivery Date, subject to the terms and conditions hereof and in reliance on the agreements, representations and warranties contained herein or made pursuant hereto, the Owner Participant agrees to make available to the Shipowner funds representing its investment or investments in the Vessels, and the Lender agrees to make a loan or loans to the Shipowner, as provided in this Section 2.

(b) Notwithstanding any other provision of this Participation Agreement the aggregate investments by the Owner Participant in the Shipowner's Cost of the Vessels shall not exceed \$3,500,000 and the aggregate loans by the Lender to the Shipowner hereunder shall not exceed \$5,250,000.

(c) On each Delivery Date (i) the Owner Participant shall make an investment in the Vessels then being delivered by paying to the Shipowner an amount equal to 30.195109% of the Shipowner's Cost of said Vessels and (ii) the Lender shall make a loan to the Shipowner in an amount equal to 69.804891% of such Shipowner's Cost provided, however, that the Owner Participant shall have no obligation to make any investment, and the Lender shall have no obligation to make any loan, in respect of any Vessels delivered after June 30, 1981. On each Delivery Date, upon receipt of Shipowner's Cost, the Shipowner shall pay to the Shipbuilder, the Charterer or the other Persons entitled thereto, the amounts representing the items of Shipowner's Cost as set forth in the applicable Delivery Date Certificate of Shipowner's Cost.

(d) On the Settlement Date, subject to the receipt of the Settlement Date Certificate of Shipowner's Cost on or before such Date, the Owner Participant shall make a further investment in the Vessels by paying to the Shipowner an amount equal to 30.195109% of Differential Shipowner's Cost and the Lender shall make a further loan to the Shipowner in the amount equal to 69.804891% of Differential Shipowner's Cost. In the event an Event of Default shall exist on the Settlement Date, the Lender shall have no obligation to make such a loan in which event the Owner Participant shall instead make a further investment in the Vessels by paying to the Shipowner 100% of Differential Shipowner's Cost. Upon receipt of Differential Shipowner's Cost, the Shipowner shall pay to the Charterer or the other Persons entitled thereto out of the funds made available by the Owner Participant and the Lender, the amounts representing the items in Differential Shipowner's Cost as set forth in the Settlement Date Certificate of Shipowner's Cost.

(e) On the Refinancing Date, subject to the receipt of the Final Certificate of Shipowner's Cost on or before such Date and the issuance of Refinancing Obligations, the Owner Participant shall make a further investment in the Vessels by paying to the Shipowner an amount equal to the excess, if any, of (i) the amount required to prepay the entire principal of and accrued and unpaid interest on the Outstanding Secured Notes on the Refinancing Date over (ii) the net proceeds from the issuance and sale of the Refinancing Obligations after deduction of Refinancing Costs. Upon receipt of such investment (if any)

and such proceeds, the Shipowner shall pay to the Lender the amount required to prepay the entire principal of and accrued and unpaid interest on the Outstanding Secured Notes and shall pay to the Charterer or the other Persons entitled thereto the amounts representing the items of Refinancing Cost set forth in the Final Certificate of Shipowner's Cost.

(f) On the date specified therefor in Section 23 hereof, subject to the provisions of such section and on the condition that no Event of Default shall exist, the Owner Participant shall make a further investment in the Vessels by paying to the Shipowner the amount required to be paid by Section 23 hereof and the Shipowner shall apply such amount to the prepayment of the Secured Notes in accordance with Section 23 hereof and Section 4.05 of the Security Agreement

(g) The Charterer shall give the Lender, the Owner Participant and the Shipowner notice in writing or by telephone (promptly confirmed in writing) at least two Business Days before each Delivery Date, which notice shall be accompanied by the Delivery Date Certificate of Shipowner's Cost of the Vessels to be delivered on such Delivery Date. Prior to noon, Pittsburgh time, on each such Delivery Date the Owner Participant and the Lender will advance to the Shipowner, in immediately available funds, the amount of the investment and loan to be made by each of them on such Delivery Date. Delivery and presentation of all required documents on each Delivery Date shall be made at the offices of Messrs. Tucker, Arensberg, Very & Ferguson, Pittsburgh, Pennsylvania at a closing commencing at 9:00 A.M., Pittsburgh time.

(h) The Owner Participant agrees that its commitment to purchase or to arrange for the purchase of 40 to 45 additional barges as set forth in the commitment letters to the Charterer, dated February 10, 1981 and February 12, 1981, is not contingent in any way on the issuance of Title XI Obligations.

(i) Amounts of Refinancing Cost may be paid by the Charterer in advance of the Refinancing Date as an advance and the Charterer shall be reimbursed therefor on the Refinancing Date out of the proceeds from the Refinancing Obligations or the investment of the Owner Participant pursuant to Section 2(e) hereof.

(j) Prior to June 30, 1981, the Charterer shall not accept delivery of any Vessels from the Shipbuilder other than on behalf of the Shipowner pursuant to Section 3 hereof.

Section 3. Undertakings by the Shipowner; Acceptance of Vessels. On each Delivery Date, simultaneously with the acceptance of the Vessel or Vessels delivered on such date in accordance with the terms of this Agreement, the Shipowner shall (1) execute and deliver to the Lender Secured Notes in the aggregate principal amount determined pursuant to Section 2(c)(ii) hereof, (2) cause such Vessel or Vessels to be duly documented in the name of the Shipowner in accordance with the laws and regulations of the United States, (3) execute and deliver the Security Agreement and the Mortgage, in the case of the first Delivery Date, or a Mortgage Supplement, in the case of each subsequent Delivery Date, and cause the Mortgage or Mortgage Supplement to be duly recorded in accordance with the Ship Mortgage Act, 1920, as amended, (4) execute and deliver the Charter, in the case of the first Delivery Date, and a Charter Supplement, and deliver such Vessel or Vessels to the Charterer pursuant to the Charter and (5) execute and deliver the other documents to which it is to become a party as contemplated by this Agreement. On the Settlement Date the Shipowner shall execute and deliver to the Lender Secured Notes in the aggregate principal amount equal to the amount of the loan, if any, made by the Lender pursuant to Section 2(d) hereof. The Shipowner hereby appoints the Charterer as its agent to accept delivery of the Vessels delivered on any Delivery Date by the Shipbuilder in Pittsburgh, Pennsylvania, provided, that the Charterer shall not accept on behalf of the Shipowner (x) any Vessels on any day prior to the day the investment of the Owner Participant therein is made pursuant to Section 2(c) hereof, (y) any Vessels after June 30, 1981 or (z) any Vessels if the acceptance thereof and payment therefor would cause the Owner Participant's maximum investment or the Lender's maximum loan pursuant to Section 2(b) hereof to be exceeded. Acceptance of delivery of the Vessels from the Shipbuilder by the Charterer as agent for the Shipowner, as evidenced by execution of the applicable Charter Supplement, shall constitute acceptance by the Charterer of the Vessels from the Shipowner for all purposes of the Charter.

Section 4. Representations and Warranties of the Charterer. Charterer represents and warrants to the Lender, the Owner Participant and the Shipowner as follows:

(a) The Charterer is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware with corporate power and authority to conduct its business as such business is presently being conducted, to own or hold under charter or lease its properties and to enter into and perform its obligations under this Agreement, the Charter, the Construction Contract Assignment and the Construction Contract. The Charterer is duly qualified to do business and is in good standing as a foreign corporation in all states where its failure to so qualify would have a materially adverse affect on its ability to perform its obligations under the aforesaid instruments.

(b) (i) The Charterer is not in violation of any terms of its Articles of Incorporation or its By-Laws, or of any material term of any agreement, instrument, judgment, decree, franchise, permit, order, law, statute, rule or governmental regulation presently applicable to it; and (ii) the execution, delivery and performance by the Charterer of the agreements referred to in Section 4(a) hereof and the consummation by the Charterer of the transactions contemplated thereby (w) have been duly authorized by all necessary corporate action on the part of the Charterer, (x) do not require any stockholder approval or the consent of any trustee or holder of any indebtedness or obligation of the Charterer (or, if so required, such approval or consent has been obtained), (y) under present law do not and will not result in any material violation of any term referred to in clause (i) above (provided that the representation in this clause (y) is made on the assumption that the Charterer will remain a Citizen after the date hereof), and (z) are not in conflict with and do not constitute a default under any such term or any provision of, or subject the Vessels or any part thereof to any Lien of, any indenture, mortgage, lease, contract or other agreement or instrument (other than the Charter and as permitted thereunder) to which the Charterer is a party or by which it or its property is bound or affected.

(c) The execution, delivery and performance by the Charterer of the agreements referred to in Section 4(a) hereof do not require any consent, authorization or approval of, or any filing or registration with, or the taking of any other action in respect of, any federal, state or other governmental authority or agency (except routine information filings, the actions described in Section 4(m) hereof and actions required in connection with the obtaining of the Guarantees) or if so

required the same have been obtained or made.

(d) Each agreement referred to in Section 4(a) hereof has been (or, when delivered, will be) duly executed and delivered by the Charterer, and, assuming the due authorization, execution and delivery by the other party or parties hereto and thereto, each constitutes a legal, valid and binding agreement of the Charterer enforceable against the Charterer in accordance with its terms.

(e) There are no actions, suits or proceedings pending or, to the best of the Charterer's knowledge, threatened before any court, administrative agency, environmental council, arbitrator or governmental body which will, if determined adversely to the Charterer, materially adversely affect its ability to perform its obligations under the agreements referred to in Section 4(a) hereof, including the operation or use of the Vessels as contemplated by the Charter.

(f) The Charterer has heretofore caused to be delivered to the Shipowner and the Lender copies of the consolidated balance sheet of the Charterer as of December 31, 1980, and the related consolidated statements of income and retained earnings for the year then ended, all as certified by Main Hurdman & Cranstoun. Said financial statements are correct and complete and fairly present the financial condition of the Charterer on a consolidated basis as of the date of said balance sheet and the results of the operations of the Charterer on a consolidated basis for the period covered by said statement of income and retained earnings and have been prepared in accordance with generally accepted accounting principles consistently applied (except as set forth therein). Since December 31, 1980, there have been no materially adverse changes in the assets or liabilities of the Charterer which will materially impair the Charterer's ability to perform its obligations under the agreements referred to in Section 4(a) hereof.

(g) On the Delivery Date for each Vessel, such Vessel shall be free and clear of any Liens arising as a result of acts or omissions to act by or on behalf of the Charterer or any Affiliate of the Charterer, except such Liens as are expressly permitted by the Charter.

(h) Assuming due authorization, execution and delivery of the Construction Contract Assignment by the Shipowner, the Construction Contract and the Construction Contract Assignment are each in full force and effect and the Construction Contract Assignment effectively conveys to the Shipowner the rights and claims purported to be conveyed to the Shipowner thereby, free and clear of all Liens, except for such Liens as are expressly permitted by the Charter; and the Charterer is not in default in any material respect under the Construction Contract or the Construction Contract Assignment.

(i) The Charterer is, and at all times since the execution of the Construction Contract has been, a Citizen.

(j) The Charterer has delivered or caused to be delivered to each of the Shipowner, the Owner Participant and the Lender a correct and complete copy of the Construction Contract as amended, modified and supplemented to the date hereof.

(k) Neither the Charterer nor anyone acting on its behalf (other than the Owner Participant and its Affiliates) has directly or indirectly offered the Secured Notes or any similar security relating to the Vessels to or solicited any offer to acquire any of the same from, or otherwise approached or negotiated with respect thereto with, anyone other than the Lender and not more than three other institutional investors.

(l) Neither the Charterer nor any Affiliate of the Charterer has taken any action the effect of which would be to cause the Shipowner, the Owner Participant or the Lender or any Affiliate of any of them to be liable for any broker's, finder's or agent's fee or commission.

(m) Except for the due recordation and endorsement of the Mortgage and each Mortgage Supplement under the Ship Mortgage Act, 1920, as amended, the filing of financing statements and continuation statements under the Uniform Commercial Code as in force in the State of Connecticut, the filing of the Charter and each Charter Supplement and the Security Agreement with the Interstate Commerce Commission in accordance with 49 U.S.C. §11303, the Lenders possession of the original counterpart of the Charter and the documentation of each Vessel in the name of the Shipowner under the laws of the United States of America, no further action, including any filing or recording of any document, is necessary or advisable in any jurisdiction in order to establish, preserve and perfect the Shipowner's legal title to and interest in each such Vessel and the Charter and the mortgage and security interest therein

created for the benefit of the Lender.

(n) None of the financial statements referred to in Section 4(f) hereof contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained therein not misleading. There is no fact which has not been disclosed to the Shipowner which materially affects adversely or, so far as the Charterer now foresees, will materially affect adversely the ability of the Charterer to perform its obligations under the agreements referred to in Section 4(a) hereof.

(o) The Charterer has filed all required tax returns and has paid all taxes shown to be due and payable thereon and all other taxes which are payable by it to the extent the same have become due and payable, except taxes being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been provided on its books.

Section 5. Representations and Warranties of the Owner Participant. The Owner Participant represents and warrants to the Charterer, the Shipowner and the Lender as follows:

(a) The Owner Participant is acquiring its interest in the Vessels for its own account for investment and not with a view to, or for sale in connection with, the distribution thereof, subject to any requirement of law that the disposition of such interest be at all times within its control. The Owner Participant agrees that each acquisition of any such interest by it hereunder shall constitute a reaffirmation of its representation and warranty contained in this Section 5(a).

(b) The Owner Participant is a Citizen and is a corporation duly organized and validly existing in good standing under the laws of the Commonwealth of Massachusetts and has the corporate power and authority to carry on its business as now conducted, to own or hold under lease its properties and to enter into and perform its obligations under this Agreement and the Trust Agreement.

(c) This Agreement and the Trust Agreement have been duly authorized by all necessary corporate action on the part of the Owner Participant and have been duly executed and delivered by the Owner Participant, and neither the execution and delivery thereof, nor the consummation by the Owner Participant of the transactions contemplated thereby nor compliance by the Owner Participant with any of the terms and provisions thereof (i) requires any approval of stockholders of the Owner Participant-or-approval or consent of any trustee

or holders of any indebtedness or other obligations of the Owner Participant, (ii) violates any material terms of any present law, judgment or governmental rule, regulation or order presently applicable to or binding on the Owner Participant (provided that the representation in this clause (ii) is made on the assumption that the Owner Participant will remain a Citizen after the date hereof), or (iii) does or will contravene or result in any breach of or constitute any default under, or result in the creation of any Lien (other than the Liens created by the Mortgage, the Security Agreement and the Charter) upon any property of the Owner Participant under, any presently existing indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement, corporate charter, by-law or other agreement or instrument to which the Owner Participant or any Affiliate of the Owner Participant is a party.

(d) Each of this Agreement and the Trust Agreement, assuming the due authorization, execution and delivery by the other parties thereto, constitutes a legal, valid and binding obligation of the Owner Participant enforceable against the Owner Participant in accordance with its terms.

(e) There are no actions, suits or proceedings pending or, to the best knowledge of the Owner Participant, threatened before any court, administrative agency, environmental council, arbitrator or governmental body which will, if determined adversely to the Owner Participant, have a materially adverse effect on the ability of the Owner Participant to perform its obligations under this Agreement and the Trust Agreement.

(f) Both the place of business (or chief executive office if there is more than one place of business) of the Owner Participant and the place where its records concerning the Vessels and all of its interest in, to and under this Agreement and the Trust Agreement are kept are presently located at One Washington Mall, Boston, Massachusetts.

(g) There is presently no Lien on any part of the Security of the character which the Owner Participant is or may in the future be required to remove pursuant to Section 17 hereof.

(h) The execution, delivery and performance by the Owner Participant of this Agreement and the Trust Agreement do not require any consent, authorization or approval of, or any filing or registration with, or the taking of any other action in respect of, any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality (except routine information filings, the actions described in Section 5(j) hereof and actions in connection with obtaining the Guarantees) or if so required the same have been obtained or made.

(i) Neither the Owner Participant nor anyone acting on its behalf (other than the Charterer and its Affiliates) has directly or indirectly offered the Secured Notes or any similar security relating to the Vessels or solicited any offer to acquire any of the same from, or otherwise approached or negotiated with respect thereto with, anyone other than the Lender and not more than two other institutional investors.

(j) Except for the due recordation and endorsement of the Mortgage and each Mortgage Supplement under the Ship Mortgage Act, 1920, as amended, the filing of financing statements and continuation statements under the Uniform Commercial Code as in force in the State of Connecticut, the filing of the Charter and each Charter Supplement and the Security Agreement with the Interstate Commerce Commission in accordance with 49 U.S.C. §11303, the Lender's possession of the original counterpart of the Charter and the documentation of each Vessel in the name of the Shipowner under the laws of the United States of America, no further action, including any filing or recording of any document, is necessary or advisable in any jurisdiction in order to establish, preserve and perfect the Shipowner's legal title to and interest in each such Vessel and the Charter and the mortgage and security interest therein created for the benefit of the Lender.

(k) Neither the Owner Participant nor any of its Affiliates has taken any action the effect of which would be to cause the Charterer, the Shipowner or the Lender or any of their Affiliates to be liable for any broker's, finder's or agent's fee or commission.

Section 6. Representations and Warranties of the Shipowner. The Bank (but only as to those matters relating expressly to the Bank) and the Shipowner represent and warrant to the Charterer, the Owner Participant and the Lender as follows:

(a) The Bank is a Citizen and is a banking corporation duly organized and validly existing in good standing under the laws of the State of Connecticut and has the corporate power and authority to enter into and perform its obligations under this Agreement and the Trust Agreement. The Shipowner has the power and authority under the Trust Agreement to enter into the Shipowner's Documents.

(b) This Agreement and the Trust Agreement have been duly authorized by all necessary corporate action on the part of the Bank. The Shipowner's Documents have been duly authorized by all necessary action on the part of the Shipowner. Each of such documents has been (or when delivered will be) duly executed and delivered by the Shipowner and/or the Bank, as the case may be, and neither the execution and delivery thereof, nor the consummation by the Shipowner or the Bank, as the case may be, of the transactions contemplated thereby, nor compliance by the Shipowner or the Bank, as the case may be, with any of the terms and provisions thereof (i) requires any approval of stockholders of the Bank or approval or consent of any trustee or holders of any indebtedness or other obligations of the Bank, (ii) does or will contravene any material terms of any present law, judgment, or governmental rule, regulation or order presently applicable to or binding on the Shipowner or of any present Connecticut or federal law, judgment, or governmental rule, regulations or order governing the banking or trust powers of the Bank (provided that the representation in this clause (ii) is made on the assumption that the Shipowner will remain a Citizen after the date hereof) or (iii) does or will contravene or result in any breach of or constitute any default under, or result in the creation of any Lien (other than the Liens created by the Mortgage, the Trust Agreement, the Security Agreement and the Charter) upon any property of the Shipowner or the Bank under, any presently existing indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement, corporate charter, by-law or other agreement or instrument to which the Shipowner or the Bank or any Affiliate of the Bank is a party.

(c) Each of the Shipowner's Documents, assuming the due authorization, execution and delivery by the other parties thereto, constitutes (or, when entered into, will constitute) a legal, valid and binding obligation of the Shipowner enforceable against the Shipowner in accordance with its terms. This Agreement and the Trust Agreement, assuming the due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of the Bank enforceable against the Bank in accordance with their respective terms.

(d) There are no actions, suits or proceedings pending or, to the best knowledge of the Shipowner and the Bank, threatened before any court, administrative agency, environmental council, arbitrator or governmental body which will, if determined adversely to the Shipowner or the Bank, have a materially adverse effect on the ability of the Shipowner or the Bank, as the case may be, to perform its obligations under the Shipowner's Documents.

(e) Both the place of business (or chief executive officer if there is more than one place of business) of the Shipowner and the place where its records concerning the Vessels and all of its interest in, to and under the Shipowner's Documents to which it is a party are kept are presently located at One Constitution Plaza, Hartford, Connecticut.

(f) There is presently no Lien on any part of the Security of the character which the Bank is or may in the future be required to remove pursuant to Section 17 hereof.

(g) The execution, delivery and performance by the Shipowner of the Shipowner's Documents or by the Bank of this Agreement and the Trust Agreement do not require any consent, authorization or approval of, or filing or registration with, or any other action in respect of, any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality (except routine information filings, the actions described in Section 5(j) hereof and actions in connection with obtaining the Guarantees) or if so required the same have been obtained or made; provided that no representation is made as to the securities or blue sky laws of any jurisdiction; provided further that the Bank's representations in this Section 6(g) are limited to federal and Connecticut laws, rules and regulations.

(h) Neither the Shipowner nor the Bank nor anyone authorized by either of them has directly or indirectly offered the Secured Notes or any similar security relating to the Vessels or solicited any offer to acquire any of the same from, or otherwise approached or negotiated with respect thereto with, anyone other than the Lender.

Section 7. Representations and Warranties of the Lender. The Lender represents and warrants (a) that each Secured Note to be acquired by it hereunder is being acquired for its own account for investment in the course of its ordinary investment business and not with a view to or for sale in connection with any distribution thereof or with any present intention of selling such Secured Note and (b) that it is a Citizen.

Section 8. Conditions to Obligations of the Owner Participant and the Lender. The obligation of the Owner Participant to make an investment pursuant to Section 2(c)(i) hereof in each Vessel delivered on any Delivery Date and the obligation of the Lender to make a loan to the Shipowner pursuant to Section 2(c)(ii) hereof on any such Delivery Date are subject to the fulfillment of the conditions specified in Section 2 hereof and of the following conditions on such Delivery Date (provided that the conditions in Section 8(k), (l), (m), (n) and (x) need not be fulfilled on any Delivery Date other than the first):

(a) No change shall have occurred after the date of this Agreement in applicable law or regulations thereunder or administrative interpretations thereof which in the opinion of counsel to the Owner Participant or the Lender would make it illegal for the Owner Participant to make such investment or the Lender to make such loan, respectively.

(b) The Charter, Secured Notes in an aggregate principal amount equal to the loan to be made by the Lender, the Trust Agreement, the Construction Contract, the Guaranty, the Mortgage (and each Mortgage Supplement in the case of any Delivery Date other than the first Delivery Date), the Security Agreement, the Construction Contract Assignment and this Agreement shall have been duly executed and delivered by the parties thereto and shall be in full force and effect and there shall exist no material default by any party thereto.

(c) The Shipbuilder shall have duly executed and delivered to the Shipowner the Consent of Shipbuilder which shall be in full force and effect, and there shall exist no material default thereunder by the Shipbuilder.

(d) The Shipowner shall have received a Charter Supplement in the form attached to the Charter, duly executed by the Charterer, stating that simultaneously therewith the Charterer is unconditionally accepting each Vessel delivered on such Delivery Date under the Charter for all purposes thereof and that, as between the Shipowner, the Owner Participant, the Lender and the Charterer, each such Vessel complies with the requirements of the Charter and with all specifications of the Construction Contract; provided, however, that such Charter Supplement may state that nothing contained therein or in the Charter shall in any way diminish or otherwise affect any right which the Charterer, the Shipowner, the Owner Participant or the Lender may have with respect to any such Vessel against the Shipbuilder or any subcontractor of the Shipbuilder under the Construction Contract or otherwise.

(e) Such Delivery Date shall occur on or prior to June 30, 1981.

(f) The Shipowner, the Owner Participant and the Lender shall have received a notice with respect to such payment as provided in Section 2(g) hereof accompanied by the applicable Delivery Date Certificate of Shipowner's Cost duly executed by the Charterer and approved by the Shipowner.

(g) The representations and warranties of the Charterer contained herein shall be true and correct in all material respects on and as of such Delivery Date and at such Delivery Date no Event of Default or other event which, with notice or lapse of time or both, would become an Event of Default shall have occurred and be continuing, and the Owner Participant and the Lender shall have received a certificate of the Charterer, signed by the Charterer's President or by one of its Vice Presidents or its Treasurer, dated such Delivery Date, to such effect and to the further effect that:

(i) the Master Carpenter's Certificates for such Vessels and the full warranty bills of sale referred to in Section 8(q) hereof are in form and substance satisfactory to Charterer; and

(ii) the invoices relating to such Vessels received by the Shipowner from the Shipbuilder pursuant to Section 8(r) hereof correctly state the amounts

payable to the Shipbuilder.

(h) Charterer shall have delivered to the Owner Participant a written statement reasonably satisfactory to the Owner Participant of John P. Colletti & Associates, Inc. or, if such firm is unable or unwilling to serve, such other independent appraiser as is acceptable to the Owner Participant, that as of such Delivery Date each Vessel then being delivered will have an estimated fair market value at the end of the original term of the Charter for such Vessel of at least 21% of Shipowner's Cost of such Vessel and an estimated useful life as of such Delivery Date of at least 28-1/2 years.

(i) (A) If such Delivery Date is the first Delivery Date, the Lender and the Owner Participant shall each have received, in each case in form and substance satisfactory to it:

(i) a copy of resolutions of the Board of Directors of the Charterer, certified as of such Delivery Date by the Secretary or an Assistant Secretary thereof, duly authorizing or ratifying the execution, delivery and performance of this Agreement, the Charter, the Construction Contract Assignment and all other agreements referred to herein or contemplated hereby to which it is or will be a party, together with an incumbency certificate as to the person or persons who shall or shall have executed and delivered said instruments on behalf of the Charterer; and

(ii) a copy of the Articles of Incorporation and the By-Laws of the Charterer, certified as of such Delivery Date by the Secretary or an Assistant Secretary of the Charterer, and a certificate of good standing with respect to the Charterer certified by the Secretary of State of the State of Delaware as of a date reasonably proximate to such Delivery Date.

(B) If such Delivery Date is other than the first Delivery Date, the Lender and the Owner Participant shall each have received, if requested, in each case in form and substance satisfactory to it:

(i) a certificate of the Secretary or an Assistant Secretary of the Charterer, dated such Delivery Date, stating that the resolutions referred to in Section 8(i)(A)(i) hereof remain in full force and effect, have not been modified, amended, repealed

or rescinded, and are the only resolutions adopted by the Board of Directors of the Charterer in respect of the matters covered thereby, together with an incumbency certificate as to any person or persons who executed and delivered any instruments on behalf of the Charterer relating to the transactions contemplated by this Agreement and who are not included in any such incumbency certificate previously furnished to the Lender and the Owner Participant; and

(ii) a copy of any amendments to the Articles of Incorporation and the By-Laws of the Charterer not theretofore furnished to the Lender and the Owner Participant pursuant to this Agreement, certified as of such Delivery Date by the Secretary or an Assistant Secretary of the Charterer.

(j) (A) If such Delivery Date is the first Delivery Date, the Lender shall have received, in each case in form and substance satisfactory to it:

(i) a copy of resolutions of the Board of Directors of the Owner Participant, certified as of such Delivery Date by the Clerk or an Assistant Clerk thereof, duly authorizing or ratifying the execution, delivery and performance of this Agreement and the Trust Agreement and all other agreements referred to herein or contemplated hereby to which it is or will be a party, together with an incumbency certificate as to the person or persons who shall or shall have executed and delivered said instruments on behalf of the Owner Participant; and

(ii) a copy of the Articles of Organization and the By-Laws of the Owner Participant, certified as of such Delivery Date by the Clerk or an Assistant Clerk of the Owner Participant, and a certificate of legal existence with respect to the Owner Participant certified by the Secretary of State of the Commonwealth of Massachusetts and a certificate of good standing with respect to the Owner Participant from the Commissioner of the Department of Corporations and Taxation, in each case dated as of a date reasonably proximate to such Delivery Date.

(B) If such Delivery Date is other than the first Delivery Date, the Lender shall have received, if requested, in each case in form and substance satisfactory to it:

(i) a certificate of the Clerk or an Assistant Clerk of the Owner Participant, dated such Delivery Date, stating that the resolutions referred to in Section 8(j)(A)(i) hereof remain in full force and effect, have not been modified, amended, repealed or rescinded, and are the only resolutions adopted by the Board of Directors of the Owner Participant in respect of the matters covered thereby, together with an incumbency certificate as to any person or persons who executed and delivered any instruments on behalf of the Owner Participant relating to the transactions contemplated by this Agreement and who are not included in any such incumbency certificate previously furnished to the Lender; and

(ii) a copy of any amendments to the Articles of Organization and the By-Laws of the Owner Participant not theretofore furnished to the Lender pursuant to this Agreement, certified as to such Delivery Date by the Clerk or an Assistant Clerk of the Owner Participant.

(k) The Lender and the Owner Participant shall have received an opinion of Robert E. Mertz, Esq., counsel to the Charterer, dated such Delivery Date and satisfactory to the Lender and the Owner Participant, to the effect:

(i) Set forth in Section 4(a), (c), (d) and (m) hereof.

(ii) Set forth in Section 4(b) hereof, provided that Section 4(b)(ii)(z) hereof may be given to the best of such counsel's knowledge.

(iii) Set forth in the first sentence of Section 6(c) hereof.

(iv) Set forth in Section 6(b)(ii) hereof with respect to the Shipowner and other than banking and trust matters.

(v) Set forth in Section 4(e) hereof to the best of such counsel's knowledge.

(vi) That the Charterer is a Citizen.

(vii) That the Construction Contract Assignment effectively conveys to the Shipowner the rights and claims purported to be conveyed to the Shipowner

thereby.

(viii) Set forth in Section 6(g) hereof with respect to the Shipowner and other than banking and trust matters.

(ix) That it is not necessary in connection with the offering, sale and delivery of the Secured Notes, under the circumstances contemplated by this Agreement, to register the Secured Notes under the Securities Act of 1933, as amended, or to qualify the Security Agreement or the Mortgage under the Trust Indenture Act of 1939, as amended.

(x) That the Vessels delivered on such Delivery Date have been duly documented in the name of the Shipowner under the laws of the United States and the Mortgage [each of the Mortgage (as originally executed) and the Mortgage Supplement] has been duly recorded in the Office of the Officer in Charge, Documentation Section U.S. Coast Guard, Pittsburgh, Pennsylvania (the only office in which such recording is necessary).

(xi) That the Mortgage has been duly endorsed on the marine documents of the Vessels delivered on such Delivery Date (or provision to effect such endorsement within 15 days from the date hereof has been made by the Charterer) and constitutes a first "preferred mortgage" under the Ship Mortgage Act, 1920, as amended, having the effect and with the priority provided in said Act; and no periodic re-recording or periodic re-filing of the Mortgage or any other instrument is necessary under existing law to continue the lien of the Mortgage.

(xii) That the Shipowner is the sole owner of the Vessels delivered on such Delivery Date, free and clear of any Lien of record or otherwise known to him, except for Liens of the character not prohibited by Section 2.04(a) of Exhibit I to the Security Agreement as may now exist.

(xiii) That the Construction Contract and the Shipbuilder's Consent attached thereto have been duly authorized by all necessary corporate action on the part of the Shipbuilder and have been duly executed and delivered by the Shipbuilder and constitute valid and binding obligations of the Shipbuilder enforceable

in accordance with their respective terms.

(xiv) That the full warranty bills of sale or other documents of title for each Vessel delivered on such Delivery Date have been duly authorized, executed and delivered and constitute the valid and binding obligations of the Shipbuilder enforceable in accordance with their terms, and upon delivery thereof good and marketable title to each such Vessel was effectively conveyed to the Shipowner.

(1) The Lender and the Owner Participant shall have received an opinion of Messrs. Morgan, Lewis & Bockius, special counsel for the Charterer, dated such Delivery Date and satisfactory to the Lender and the Owner Participant, to the effect:

(i) That other than the documentation of the Vessels and the recordation and endorsement of the Mortgage and each Mortgage Supplement and upon the assumption that each of the Shipowner, the Lender and the Owner Participant is a Citizen, no consent, approval, order or authorization of, or registration with, any federal, state or other governmental authority or agency which would not otherwise be required, is required on such Delivery Date solely by reason of the fact that the Vessels are "vessels" within the meaning of the Shipping Act, 1916, as amended, for the execution, delivery and performance by the Lender, the Shipowner and the Charterer of this Agreement, the Charter, the Construction Contract, the Construction Contract Assignment and the other agreements referred to herein (to the extent that each is a party hereto and thereto) and the carrying out and enforcement by the Lender, the Shipowner and the Charterer of their respective obligations, rights and remedies hereunder and thereunder.

(ii) That the execution and delivery by the Charterer of this Agreement, the Charter, the Construction Contract and the Construction Contract Assignment and the performance by it of its obligations hereunder and thereunder, under present law do not and will not contravene any law or any governmental rule or regulation presently binding on the Charterer solely by reason of the fact that the Vessels are "vessels" within the meaning of the Shipping Act, 1916, as amended, assuming that each of the Shipowner, the Lender and the Owner Participant is a Citizen.

(iii) Set forth in Section 4(m) hereof.

(m) The Lender and the Owner Participant shall have received an opinion of Philip Sternstein, Esq., General Counsel to the Owner Participant, dated such Delivery Date and satisfactory to the Lender and the Owner Participant, to the effect:

(i) Set forth in Section 5(b) hereof.

(ii) Set forth in Section 5(c) hereof, provided that the opinion set forth in Section 5(c)(ii) hereof need not cover laws, rules and regulations relating to vessels, shipping or the chartering of vessels and that Section 5(c)(iii) hereof may be given to the best of such counsel's knowledge.

(iii) Set forth in Section 5(d) hereof.

(iv) Set forth in Section 5(e) hereof to the best of such counsel's knowledge.

(v) Set forth in Section 5(h) hereof.

(vi) Set forth in Section 8(k)(ix) hereof.

(vii) Set forth in the seventh paragraph of the Guaranty.

(n) The Lender and the Owner Participant shall have received an opinion of Messrs. Day, Berry & Howard, counsel for the Shipowner and the Bank, dated such Delivery Date and satisfactory to the Lender and the Owner Participant, to the effect:

(i) Set forth in Section 6(a) hereof;

(ii) Set forth in Section 6(b) hereof except that the opinion as to judgments and orders may be given to the best of such counsel's knowledge, that Section 6(b)(ii) hereof may be limited to banking and trust laws in the case of the Shipowner and Section 6(b)(iii) hereof may be given to the best of such counsel's knowledge;

(iii) That the Shipowner's Documents and the Participation Agreement and the Trust Agreement have been duly authorized, executed and delivered by the

Shipowner or the Bank, as the case may be, and that each of the Participation Agreement and the Trust Agreement is the legal, valid and binding obligation of the Bank enforceable in accordance with its terms;

(iv) Set forth in Section 6(d) hereof to the best of such counsel's knowledge;

(v) Set forth in Section 6(g) hereof with respect to banking and trust laws with respect to the Shipowner; and

(vi) That a Uniform Commercial Code financing statement has been duly filed with the Secretary of State of Connecticut naming the Shipowner as debtor and the Lender as secured party and no further action, including the filing or recording of any document, is necessary or advisable in Connecticut in order to establish, preserve and perfect the Shipowner's legal title to and interest in each Vessel and the Charter and the mortgage and security interest therein created for the benefit of the Lender, other than the filing of continuation statements under the Uniform Commercial Code.

(o) Each opinion of counsel delivered pursuant to this Section 8 shall be addressed to the Bank and may state one or more of the following:

(i) the enforceability of the rights and remedies provided in any agreement against any particular party is subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting generally the enforcement of creditors' rights from time to time in effect;

(ii) the opinion is subject to qualification in respect of the effect of certain laws and judicial decisions upon the enforceability of certain rights and remedies provided in a specified instrument; provided, however, that any opinion subject to such qualification shall further state that none of such laws then in force and none of such decisions will, in the opinion of such counsel, make the rights and remedies provided in a specified instrument inadequate for the practical realization of the benefits or security intended to be provided by such instrument;

(iii) the opinions relating to factual matters,

information with respect to which is in the possession of any person, firm or corporation, are based upon a certificate or opinion of, or representation in writing signed by, such person or by an officer or officers of such firm or corporation and that counsel giving such opinion has not independently verified such factual matters; provided, however, that each such certificate, opinion or representation shall (unless independently delivered to the party receiving such opinion) be attached to or delivered with such opinion;

(iv) with respect to the opinions pertaining to the enforceability of an agreement or instrument, no opinion is expressed as to the specific remedy that any court, other governmental authority, or arbitrator may grant, impose or render and, in particular, no opinion is expressed as to the availability of equitable remedies as such for the enforcement of any provision of an agreement governed by the laws of admiralty; and

(v) counsel giving such opinion do not purport to be experts on the laws of any jurisdiction other than the United States and Pennsylvania in the case of the opinion of Robert E. Mertz, Esq., the United States and Massachusetts in the case of the opinion of Philip Sternstein, Esq., the United States and Connecticut in the case of Messrs, Day, Berry & Howard and the United States and New York in the case of Messrs. Morgan, Lewis & Bockius, and that, in respect of the laws of any jurisdiction other than such state referred to in the opinion rendered by them, they are relying completely on the opinions of other counsel, provided that a copy of each such opinion relied on is attached to their opinion and addressed to the Shipowner, the Owner Participant, the Lender and the Charterer.

(p) On such Delivery Date the Lender shall have received a certificate, dated such Delivery Date, of the Owner Participant to the effect that its representations and warranties set forth in Section 5 hereof remain true and correct on and as of such Delivery Date.

(q) The Shipowner shall have received a Master Carpenter's Certificate and a full warranty bill of sale or other documents of title for each Vessel to be delivered on such Delivery Date, duly executed by the Shipbuilder and, in the case of the Charterer-Furnished Equipment, if any, to be delivered on such Delivery Date, a full warranty bill of sale or other documents of title for such Charterer-Furnished Equipment, duly executed by the Charterer, and all such instruments shall be in form and substance satisfactory to the Owner Participant and the Lender.

(r) The Shipowner shall have received an invoice from the Shipbuilder or, in the case of any Charterer-Furnished Equipment, the Charterer delivered on such Delivery Date showing the total cost paid or payable to the Shipbuilder or the Charterer for such Vessel or Charterer-Furnished Equipment under the Construction Contract, or otherwise, specifying any amounts previously received by such Shipbuilder in respect of such cost, and certifying that receipt by the Shipbuilder or the Charterer of amounts equal to such costs shall constitute full and complete discharge of any and all obligations owing to the Shipbuilder or the Charterer in respect of the payment for such Vessel or Charterer-Furnished Equipment.

(s) All corporate and other proceedings, including all filings, registrations and recordings necessary or advisable to secure or perfect the interests of the Shipowner and the Lender contemplated hereby on such Delivery Date in connection with the transactions contemplated by this Agreement and all documents incident thereto shall be satisfactory in form and substance to the Lender and the Owner Participant, and each of them shall have received such documents and evidence thereof as any of them or their counsel may request in order to establish the consummation of the transactions contemplated by this Agreement, the taking of all corporate proceedings in connection therewith and compliance with the conditions set forth in this Section 8.

(t) The insurance certificates and opinion required by Section 9 of the Charter shall have been delivered to the Lender and the Owner Participant.

(u) The Owner Participant (in the case of the Lender) or the Lender (in the case of the Owner Participant) shall have made available its respective commitment on such Delivery Date in accordance with Section 2(c) hereof.

(v) Good and valid title to the Vessels shall have been duly, validly and effectively conveyed and transferred by the Shipbuilder or, in the case of the Charterer-Furnished Equipment, if any, by the Charterer to the Shipowner, free and clear of all Liens, the Vessels shall have been duly documented in the name of the Shipowner as owner thereof in accordance with the laws and regulations of the United States, free and clear of all Liens other than the Liens created by or permitted under the Security Agreement and the Charter, the Trust Agreement, the Mortgage or the Mortgage Supplement, as the case may be, shall have been duly recorded and endorsed on the Vessels' marine documents in accordance with the laws and regulations of the United States, creating a valid first preferred ship mortgage on the Vessels in favor of the Lender, the Charter and applicable Charter Supplement and the Security Agreement shall have been filed in accordance with 49 U.S.C. §11303, and financing statements shall have been filed in accordance with the Connecticut Uniform Commercial Code.

(w) All of the representations and warranties of the Shipowner and the Bank set forth in Section 6 hereof shall be true in all material respects on and as of such Delivery Date and the Lender and the Owner Participant shall have received certificates from the Shipowner and the Bank to such effect. The Lender and the Owner Participant shall also have received such certificates from the Secretary or the Assistant Secretary of the Bank as to the Bank's officers, resolutions, By-Laws and charter documents as the Lender or the Owner Participant may reasonably request.

(x) The Owner Participant shall have received an opinion of Joseph A. Richardson, Jr., Senior Vice President and Resident Attorney for the Lender, dated such Delivery Date and satisfactory to the Owner Participant, to the effect that the Lender is a Citizen.

Section 9. Conditions to the Obligations of the Charterer with Respect to Each Delivery Date. The obligations of the Charterer to be performed on each Delivery Date and the obligations to execute and deliver documents in connection therewith shall be subject to the satisfaction of the following conditions on such Delivery Date:

(a) The conditions in Sections 8(a), (u) and (v) hereof shall have been satisfied.

(b) The Charterer shall have received the documents, or copies thereof, in each case satisfactory in form and substance to it, described in Sections 8(j), (p), (r), and (w) hereof.

(c) Since the date of this Agreement no change shall have occurred in applicable law or in applicable regulations thereunder or in interpretations thereof by regulatory authorities which, in the opinion of counsel to the Charterer, would make it illegal for the Charterer or the Shipowner to perform its obligations hereunder or under the Charter.

(d) All of the representations and warranties of the Owner Participant, the Shipowner and the Lender set forth in Sections 5, 6 and 7 hereof shall be true and correct on and as of such Delivery Date with the same effect as if each had been made on such date, and each of the Lender, the Owner Participant and the Shipowner shall have performed all agreements required to be performed by it on or prior to such Delivery Date under this Agreement and the agreements referred to herein to which it is a party.

(e) The Charterer shall have received each of the opinions described in Section 8 hereof addressed to it.

Section 10. General Tax Indemnity. (a) The Charterer agrees to pay, and on written demand to indemnify and hold harmless each Indemnitee (which term, for the purpose of this Section 10, shall mean the Shipowner, the Bank, the Owner Participant, the Lender, the Trust Estate and their respective successors and assigns) from any and all license and registration fees and any and all taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any penalties, fines, interest thereon or additions to tax with respect thereto (collectively, "taxes, fees or other charges") imposed against any Indemnitee, the Vessels or any part thereof by any Federal, state or local government or taxing authority in the United States or by any foreign country or foreign taxing authority, upon or with respect or relating to: the Vessels or any part thereof; the construction, purchase, ownership, delivery, chartering, loan financing, possession, use, operation, maintenance, return or other disposition of the Vessels or any part thereof; the Hire, proceeds receipts or earnings arising from the Vessels including interest, principal and other amounts payable on the Secured Notes; the Principal Documents or any

thereof, or the issuance, acquisition or subsequent transfer of the Secured Notes, excluding, however, all taxes, fees or other charges:

(i) which are on, based on, or measured by, the net income, capital or net worth (except as set forth in the letter agreement of even date herewith between the Charterer and the Owner Participant) or loans or other investments of the Owner Participant or the Lender or which are in the nature of a franchise tax for the privilege of doing business, an excise tax, a capital gains tax, excess profits tax, minimum tax for tax preferences, accumulated earnings tax, personal holding company tax, windfall profits tax, succession or estate tax, or a gross receipt tax (other than a gross receipt tax in the nature of a sales or use or rental tax), and which in any such case are imposed by (A) the United States or (B) any state or local government or taxing authority in the jurisdiction in which such Indemnitee has its principal office or the jurisdiction in which is located an office of the Lender or the Owner Participant, as the case may be, which is treated by such Indemnitee on the books, records or tax returns of such Indemnitee as the office through which it is participating in the transactions contemplated by this Agreement or (C) any other jurisdiction the imposition of which either results in a reduction of such Indemnitee's liability for taxes, fees or other charges described in Subclauses (A) or (B) hereof or in the case of the Trust Estate to the extent that such taxes, fees or other charges on the Trust Estate result in a reduction of the Owner Participant's liability for taxes, fees or other charges, or (D) any other jurisdiction in which such Indemnitee is subject to taxes, fees or other charges as the result solely of business or transactions unrelated to the Overall Transactions;

(ii) which are on or are based on or measured by any fees or compensation received by the Shipowner for services rendered in connection with the transactions contemplated hereby;

(iii) which are demonstrated to the reasonable satisfaction of such Indemnitee to be, and to the extent that such taxes, fees or other charges are, enacted or adopted as a direct substitute for fees, taxes and other charges which are now or hereafter

of the Owner Participant and the Lender, the sale, forfeiture or loss of any Vessel or any interest therein.

(b) Charterer further agrees that, with respect to any payment or indemnity hereunder, such payment or indemnity shall include any amount necessary to hold harmless the recipient of the payment or indemnity on an after-tax basis from all taxes, fees or other charges required to be paid by such recipient with respect to such payment or indemnity under the laws of any Federal, state or local government or taxing authority in the United States or any foreign country or foreign taxing authority.

(c) If any Indemnitee realizes a net tax benefit under the federal and any applicable state income or franchise tax not taken into account under Section 10(b) hereof as a result of incurring any taxes, fees or other charges giving rise to a right of indemnification pursuant to this Section 10 (whether such tax benefit shall be by means of tax credit or deduction), such Indemnitee shall pay to the Charterer an amount equal to the sum of such net tax benefit plus any net tax benefit realized as the result of any payment to the Charterer pursuant to this sentence when, as, if and to the extent realized; provided that (A) such sum shall not exceed the excess of the amounts previously paid by the Charterer to the Indemnitee pursuant to this Section 10 over the amounts previously paid by the Indemnitee to the Charterer pursuant to this Section 10 in respect of such taxes, fees or other charges, (B) such sum shall not be payable before such time as the Charterer shall have made all payments and indemnities then due pursuant to this Agreement and (C) such sum shall not be payable at any time when an Event of Default shall be continuing. Each Indemnitee shall in good faith use reasonable efforts in filing its tax returns and in dealing with taxing authorities to seek and claim any such tax benefit. For purposes of this Section 10 a net tax benefit shall be deemed to be realized when and to the extent that any tax treatment otherwise payable is reduced or eliminated thereby or a tax refund attributable thereto is received.

(d) If any proceeding (including the written claim or written threat of such proceeding) is commenced against any Indemnitee for any such tax, fee or other charge, such Indemnitee shall promptly notify the Charterer. If reasonably requested by the Charterer in writing, such Indemnitee shall upon receipt of satisfactory assurances and at the expense of the Charterer (including, without limitation, all costs, expenses, losses, legal and accountants' fees and disbursements penalties and interest) either

in effect and otherwise would have been imposed on any Indemnitee and which are not fees, taxes or other charges indemnified against under this Section 10 or Section 11 hereof;

(iv) to the extent paid by, or reimbursed to such Indemnitee by, any person other than the Charterer;

(v) which are penalties, fines, interest, additions to tax and other similar charges imposed on any Indemnitee as the result of the gross negligence or willful misconduct of such Indemnitee;

(vi) which are imposed as a result of a voluntary or involuntary transfer or other disposition by the Shipowner or the Owner Participant of its interest in the Vessel or any part thereof (other than pursuant to Section 8(c), 14 or 17 of the Charter or the assignment of the Charter or the granting of the security interest pursuant to the Security Agreement and Mortgage), unless, in each case, an Event of Default shall have occurred and be continuing; and

(vii) which are imposed with respect to any period after the termination or expiration of the Charter Period, except during any period in which the Shipowner or the Lender is exercising any remedy pursuant to Section 20 of the Charter;

provided that notwithstanding the foregoing exclusions, there shall not be excluded any taxes, fees or other charges imposed by any jurisdiction, on, based on, or measured by, net income resulting directly or indirectly (whether by inclusion of an item in gross income, disallowance of a credit against tax, disallowance of a deduction for depreciation or otherwise) from (w) the Charterer's receipt of or right to receive any refund or credit pursuant to the Construction Contract or (x) any payment by the Shipbuilder in satisfaction of a claim against the Shipbuilder with respect to the Vessels under any warranty or indemnity provision of the Construction Contract or for failure to meet the specifications attached thereto; and provided, further that such indemnification shall not be required so long as and only to the extent that, any such tax, fee or other charge which is not imposed by way of withholding is being duly contested (including by payment of tax, if required) by the Charterer in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve, in the good faith determination

(i) in good faith contest (after consultation with the Charterer), in the name of the Charterer or such Indemnatee, the validity, applicability or amount of such tax, fee or other charge by (A) resisting payment thereof if such Indemnatee in its full discretion shall determine such course of action to be appropriate, (B) not paying the same except under protest, if protest is necessary and proper, and (C) if payment be made, using reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings, or

(ii) if such contest may be undertaken by the Charterer in its own name or on behalf of such Indemnatee, permit the Charterer to contest the validity, applicability or amount of such tax, fee or other charge;

provided that no such contest shall be permitted if it will result in the sale, forfeiture or loss of any Vessel or any part thereof or interest therein, or in the creation of a Lien thereon which is not fully bonded; provided further that the Charterer shall not be deemed to be in default under this Agreement so long as any Indemnatee or the Charterer, as the case may be, shall diligently prosecute such contest as permitted hereunder.

(e) If any Indemnatee shall obtain a refund of all or any part of such tax, fee or other charge paid by the Charterer such Indemnatee shall pay the Charterer the amount of such refund; provided that such amount shall not be payable before such time as the Charterer shall have made all payments then due under this Section 10. If in addition to such refund such Indemnatee shall receive an amount representing interest on the amount of such refund, the Charterer shall be paid that proportion of such interest which is fairly attributable to taxes, fees or other charges paid by the Charterer prior to the receipt of such refund.

(f) In case any report or return is required to be made with respect to any obligation of the Charterer under this Section 10 or arising out of this Section 10, the Charterer will either make such report or return in such manner as will show the ownership of the Vessels in the Shipowner, and send a copy of such report or return to the Indemnatee, or will notify the Indemnatee of such requirement and make such report or return in such manner as shall be satisfactory to the Indemnatee, provided that where such return or report is required to reflect items in addition to taxes, fees or other charges imposed on

or borne or indemnified by Charterer under this Section, the Charterer shall only be obligated to provide such Indemnitee with information sufficient to permit such return or report to be properly made with respect to the taxes, fees or other charges for which the Charterer is responsible (and the Charterer shall hold each Indemnitee harmless from and against any liabilities, obligations, losses, damages, penalties, claims, actions, suits and costs arising out of any insufficiency or inaccuracy of information so provided).

(g) In the case of any taxes, fees or other charge that are reported on a consolidated or combined basis by any Indemnitee or its Affiliates, the amount of the indemnity or any payment by or to the Charterer under this Section 10 in respect of such taxes, fees or other charges shall be computed with reference to the rules applicable to the consolidated or combined return of such Indemnitee and such Affiliates.

Section 11. Special Income Tax Indemnity. (a) Intended Tax Benefits. The Owner Participant intends, for purposes of the Code and of the state and local tax laws of the jurisdiction in which the Owner Participant's principal place of business is located that are based on or measured by net income of the Owner Participant (such Federal, state and local tax laws being herein referred to as "Income Tax Laws"), to take the following deductions: the maximum depreciation deduction with respect to each Vessel authorized under Section 167 of the Code based on 100% of the Vessel Costs of each Vessel, utilizing the 14-1/2-year depreciable useful life prescribed for the Vessels in the Assets Guideline Class No. 00.28 in accordance with Section 167(m) of the Code, employing the double declining balance method of depreciation, switching to the sum-of-the-years-digits method without the consent of the Commissioner of Internal Revenue when most beneficial to the Owner Participant, utilizing the modified half-year convention as provided in Treas. Reg. Sec. 1.167(a)-11(c)(2)(ii) (including 12 months of depreciation in 1981), and taking into account an estimated gross salvage value of 10% of the Vessel Costs of each Vessel (which will be reduced by 10% of the Vessel Costs thereof (to zero) as provided in Section 167(f) of the Code) (the "Depreciation Deduction").

(b) Representations and Warranties by the Charterer. The Charterer represents and warrants to the Owner Participant that (i) on the Delivery Date of each Vessel such Vessel will not have been used by any person so as to preclude "the original use of such property" within the meaning of Section 167(c)(2) of the Code from commencing with the Owner Participant; (ii) ~~the Charterer will not at any time during the term of the~~

Charter, use or fail to use any Vessel in such a way as to disqualify such Vessel for the Depreciation Deduction; and (iii) the Charterer will maintain sufficient records to verify use of the Vessel in the manner above provided, which records will be made available for inspection and copying to the Owner Participant within 30 days after receipt of a written demand therefor. The sole remedy of the Owner Participant for breach of any of the foregoing representations and warranties shall be the indemnity provided below.

(c) Income Tax Indemnification. If by reason of (i) any act or failure to act of the Charterer (regardless of whether any such act or failure to act is permitted or required by the terms of the Charter or otherwise), or (ii) the breach of or inaccuracy in law or in fact of any of the Charterer's representations and warranties set forth in Section 11(b) hereof or the breach of any of the representations and warranties made by the Charterer itself and set forth in any certificate or document executed and delivered by the Charterer in connection with the closings specified in Section 2 hereof or in connection with the delivery and acceptance of any Vessel (excluding, among other things, any appraisal or other item delivered but not made by the Charterer), or (iii) the sale or other disposition of any Vessel or the interest of the Owner Participant therein during the continuance of an Event of Default, the Owner Participant shall lose, or shall not have, or shall lose the right to claim, or shall suffer a disallowance of or shall be required to recapture all or any portion of the Depreciation Deduction with respect to all or part of any Vessel for purposes of the Income Tax Laws, or if for Federal income tax purposes any item of income, loss or deduction with respect to any Vessel is treated as derived from, or allocable to, sources outside the United States (whether or not any foreign income taxes imposed as a result thereof may be credited against Federal, state or local income taxes of the Owner Participant), or if there shall be included in the gross income of the Owner Participant for Federal, state or local income tax purposes any amount on account of any addition, modification or improvement to or in respect of any Vessel made or paid for by the Charterer not constituting a permitted investment by the Charterer under Rev.Proc. 79-48 (any such loss, disallowance, recapture, treatment or inclusion being hereinafter called a "Tax Loss"), then in any such case, the Basic Charter Hire applicable to each such Vessel shall, on the Charter Hire Payment Date next following the date on which the liability of the Charterer hereunder shall become fixed as hereinafter provided, and on each succeeding Charter Hire Payment Date, be increased by such amount for such Vessel which (after deduction of all taxes required to be paid by the Owner Participant as a result

of the Owner Participant's receipt of such sums under the laws of the United States or any political subdivision thereof or any foreign taxing authority, in each case calculated on the assumption that such tax is payable at the highest then applicable marginal tax rate), when taken together with the portion of the Basic Charter Hire installments due on such dates under the Charter which are to be distributed to the Owner Participant will, in the Owner Participant's reasonable opinion, maintain the Owner Participant's after-tax economic and accounting yield and overall net after-tax cash flows in respect of such Vessel at a level which is not less than the same level that would have been available if such Tax Loss had not occurred, and the Charterer shall pay to the Owner Participant an amount which (after the deduction of any additional taxes required to be paid by the Owner Participant in respect of the Owner Participant's receipt of such amount and after deduction to the Owner Participant (to the extent allowable) of any interest and penalties indemnified against, all computed on the assumption that such taxes are payable at the highest then applicable marginal tax rate) shall be equal to the amount of any interest or penalty which may be imposed in connection with such Tax Loss. In the event that the Charter is terminated with respect to any Vessel with respect to which such Tax Loss has occurred prior to the time the Charterer is obligated to make payments to the Owner Participant as set forth in the preceding sentence (either because no such payment obligation had become fixed under such sentence prior to such termination or because the due date of any such payment or payments shall occur following such termination), then the Charterer shall pay to the Owner Participant, in lieu of such payment or payments, on or before 30 days after the liability of the Charterer hereunder shall become fixed as hereinafter provided, such lump sum as shall be necessary, in the Owner Participant's reasonable opinion, to maintain the Owner Participant's after-tax economic and accounting yield and overall net after-tax cash flows in respect of such Vessel at a level which is not less than the same level that would have been available if such Tax Loss had not occurred, plus an amount which (after the deduction of any additional taxes required to be paid by the Owner Participant in respect of the Owner Participant's receipt of such amount and after deduction to the Owner Participant (to the extent allowable) of any interest and penalties indemnified against, all computed on the assumption that such taxes are payable at the highest then applicable marginal tax rate) shall be equal to the amount of any interest or penalty which may be imposed in connection with such Tax Loss.

The Charterer shall have the option in respect of any Tax Loss subject to indemnification to pay the Owner

Participant, in lieu of the amount specified in the second preceding sentence, such lump sum amount as shall, in the Owner Participant's reasonable opinion, maintain the Owner Participant after-tax economic and accounting yield and overall net after-tax cash flows in respect of such Vessel at a level which is not less than the same level that would have been available had such Tax Loss not occurred, and the Charterer shall also pay to the Owner Participant an amount which (after the deduction of any additional taxes required to be paid by the Owner Participant in respect of the Owner Participant's receipt of such amount and after deduction (to the extent allowable) of any interest and penalty indemnified against, all calculated on the assumption that such taxes are payable at the Then Current Rates, based on the laws existing as of the date of such computation) shall be equal to any interest or penalty which may be imposed in connection with such Tax Loss. The term "Then Current Rates" for any period means the highest rates then generally applicable to business corporations.

Except as otherwise specifically provided herein or as the context may otherwise clearly require, all calculations of "after-tax economic and accounting yield and overall net after-tax cash flows" required pursuant to this Section 11 shall be determined on the basis of the assumptions (including without limitation Federal, state and local income tax rates, which rates are herein called "Assumed Tax Rates"), and method of analysis utilized by the Owner Participant to compute such amounts in originally evaluating the transactions; provided, however, that such assumptions shall be adjusted to take into account any assumptions utilized in adjusting Hire Factors as a result of a Change in Tax Law pursuant to Section 23 hereof and also to take into account any loss or gain to the Owner Participant of a tax benefit not subject to indemnification hereunder (other than by virtue of a modification or other change in tax law); and provided, further, that (i) where such calculation is to be made after giving effect to any Tax Loss such calculation shall also take into account the circumstances and consequences of such Loss, including the Federal, state and local tax benefits from deductions to be realized by the Owner Participant arising from any Tax Loss or from any tax indemnified against, all computed using (for each applicable period) the Then Current Rates, based on the law existing as of the date of computation; and (ii) the additional Federal, state and local taxes payable to the Owner Participant with respect to the receipt or accrual of any indemnification shall be computed on the basis of the applicable Then Current Rates, based on the law existing as of the date of computation.

In the event the Owner Participant shall at any time

or from time to time actually realize any benefit (including, without limitation, tax credits) under any Income Tax Law not previously taken into account, either for purposes of computing the indemnification under this Section 11 or any adjustment of Hire Factors under Section 23 hereof, in determining the "after-tax economic and accounting yield and overall net after-tax cash flows" arising from any Tax Loss, then the Owner Participant shall pay to the Charterer an amount equal to the sum of (x) the net reduction from time to time in taxes under the Income Tax Laws (at the Then Current Rates for the period in which such benefit is actually realized) by the Owner Participant from time to time attributable to such tax benefit plus (y) the amount of additional net reduction in taxes actually realized (at the aforesaid tax rates) by the Owner Participant from time to time under the Income Tax Laws as a result of any payment pursuant to clauses (x) and (y) of this sentence when, as, if and to the extent realized; provided that (A) such sum shall not exceed the excess of the amounts previously paid by the Charterer to the Owner Participant pursuant to this Section 11 over the amounts previously paid by the Owner Participant to the Charterer pursuant to this Section 11, (B) such sum shall not be payable before such time as the Charterer shall have made all payments and indemnities then due pursuant to this Section 11 and (C) such sum shall not be payable so long as an Event of Default shall be continuing, provided such amount shall be paid to the Charterer when there is no longer an Event of Default. The Owner Participant shall in good faith use reasonable efforts in filing its tax returns and in dealing with taxing authorities to seek and claim any such tax benefit. For purposes of this Section 11 a net tax benefit shall be deemed to be realized when and to the extent that any tax treatment otherwise payable is reduced or eliminated thereby or a tax refund attributable thereto is received. Any amount payable by the Owner Participant to the Charterer pursuant to the foregoing shall be paid not later than 30 days after the date the Owner Participant realizes (or is deemed to have realized) any such reduction in taxes.

Anything in this Section 11 to the contrary notwithstanding, the Charterer shall not be required to make any payment to the Owner Participant provided for therein if the Owner Participant shall have suffered any Tax Loss with respect to all or part of any Vessel as a result of the occurrence of any of the following events:

- (1) an Event of Loss with respect to such Vessel, if the Charterer shall have paid to the Shipowner the full amounts stipulated under Section 14 of the Charter;

(ii) an Event of Default with respect to such Vessel if (x) where the Vessel is not sold pursuant to Section 20 of the Charter the Owner Participant shall have received the full amount required to be paid by the Charterer pursuant to Section 20 of the Charter (or if the Owner Participant shall be unable to obtain possession of such Vessel the amount of the applicable Stipulated Loss Value), or (y) where the Vessel shall be sold pursuant to such Section, if the Owner Participant shall have received from the net proceeds of such sale and amounts paid by the Charterer pursuant to Section 20 of the Charter the amount of the applicable Stipulated Loss Value of such Vessel;

(iii) a sale of such Vessel or any Cover by the Shipowner pursuant to Section 8(c) or 17 of the Charter, if the Charterer shall have paid to the Shipowner the full amounts stipulated under Section 8(c) or 17 of the Charter, as applicable;

(iv) a voluntary or involuntary transfer or other disposition by the Shipowner or the Owner Participant of its interest in such Vessel (other than pursuant to Sections 8(c), 14 or 17 of the Charter or the assignment of the Charter or the granting of the security interest pursuant to the Security Agreement and Mortgage), unless, in each case, an Event of Default shall have occurred and be continuing;

(v) the failure of the Owner Participant to claim in a timely and proper manner the Depreciation Deduction (unless the Owner Participant shall have received an opinion of Tax Counsel (as hereinafter defined) to the effect that there is no reasonable basis for such claim), or the failure of the Owner Participant to be entitled to utilize either a twelve month taxable year, or the modified half-year convention, in respect of any Vessel for purposes of the Depreciation Deduction unless such failure is attributable to one or more of the events or occurrences giving rise to indemnification by the Charterer under this Section 11(c);

(vi) the execution of Principal Documents and the other documents referred to therein, the rights and obligations thereby created, or the entering into any of the transactions contemplated by any of the

foregoing; or

(vii) the failure to timely and properly make an election under Code Section 861(e) with respect to each Vessel to the extent such election is available to the Owner Participant and/or the Shipowner.

The liability of the Charterer for the payment of the indemnity amounts specified in this Section 11 shall become fixed (i) on the date of a Final Determination (hereinafter defined) if the Charterer elects to contest the Tax Loss pursuant to the provisions of Section 11(d) hereof and if the Shipowner has received the Tax Counsel Opinion (hereinafter defined) from Tax Counsel, and (ii) otherwise on the date when the Shipowner makes payment of the tax attributable to such Tax Loss, but in either case not earlier than 30 days after the receipt by the Charterer of a written demand for payment, accompanied by a written statement describing in reasonable detail the related Tax Loss and the computation of the amount so payable.

(d) Contest. In the event a claim shall be made by any taxing authority against the Owner Participant that a Tax Loss has occurred and which claim, if successful, would result in payments by the Charterer hereunder, and if, in the opinion of tax counsel selected by the Charterer and who shall not be an employee of the Owner Participant and shall be reasonably acceptable to the Owner Participant ("Tax Counsel"), a bona fide defense to such claim exists, the Owner Participant shall, provided that no Event of Default exists, upon the Charterer's written request and at the expense of the Charterer, contest such matter in such form as the Owner Participant shall select, considering in good faith such request as the Charterer may make concerning the most appropriate forum in which to proceed. The Owner Participant shall not be obligated to take any such legal or other appropriate action unless it has received an opinion (the "Tax Counsel Opinion") from Tax Counsel that a bona fide defense to such claim exists and the Charterer shall first have indemnified the Owner Participant for all costs and expenses which may be incurred by the Owner Participant in contesting such claim and shall have furnished the Owner Participant with such reasonable security therefor as may be requested. The action to be taken may, in the Owner Participant's sole discretion, be commenced prior to making payment of any tax and interest and/or penalty attributable to such claim (a "Tax Payment") or after making such Tax Payment and then suing for a refund. If the Owner Participant takes such action prior to making such Tax Payment, the indemnity amounts payable hereunder with respect to the Tax Loss need not be paid by the Charterer while such action is pending;

provided that the Charterer shall pay the costs and expenses relating to such action when and as the same shall become due. If the Owner Participant makes such Tax Payment prior to contesting the matter, and then sues for a refund, the Charterer will advance to the Owner Participant, on an interest-free basis, an amount equal to the tax, interest and penalties attributable to such claim. If the Owner Participant sues for a refund after making such Tax Payment, and if the Final Determination shall be in favor of the Owner Participant (i) no future payments shall be due hereunder in respect of such matter (or an appropriate reduction shall be made if the Final Determination is partly in favor of and partly adverse to the Owner Participant) other than any outstanding costs or expenses incurred by the Owner Participant with respect to such contest, and (ii) the Owner Participant shall pay to the Charterer an amount equal to the indemnity amounts theretofore paid by the Charterer to the Owner Participant in respect of the Tax Payment (or a proportionate part thereof if the Final Determination is partly adverse to the Owner Participant on or before such next succeeding Charter Hire Payment Date (or within thirty (30) days from such Final Determination, if there is no succeeding Charter Hire Payment Date), together with the amount of any penalty or interest actually refunded to the Owner Participant as a result of such Final Determination. If the Final Determination of any contest (whether pursuant to a deficiency or refund proceeding) shall be adverse to the Owner Participant, the indemnity amounts payable hereunder with respect to the Tax Loss shall be computed by the Owner Participant as of the date of such Final Determination, the Owner Participant shall notify the Charterer in writing of such computation and the Charterer shall make and/or commence making payment with respect thereto in accordance with Section 11(c) hereof. If any such claim referred to above shall be made by any taxing authority and the Charterer shall reasonably have requested the Owner Participant to contest such claim, and the Owner Participant shall have received the Tax Counsel Opinion from Tax Counsel and the Charterer shall have duly complied with all of the terms of this Agreement, the Owner Participant may nevertheless elect not to contest any such claim despite the request of the Charterer made in accordance with the terms of this paragraph, or to discontinue any proceedings previously commenced as a consequence of such request, and thereupon the Charterer shall be relieved of all liability to indemnify the Owner Participant with respect to the Tax Loss involved in respect of such claim.

"Final Determination", for the purpose of the preceding paragraph, means a final decision of a court of competent jurisdiction after all allowable appeals have been exhausted

by either party to the action, or a determination within the meaning of Section 1313(a) of the Code.

In the event indemnity payments shall be due the Owner Participant under this Section 11, the Termination Values and the Stipulated Loss Values provided for in Section 14 and 17 of the Charter shall be adjusted appropriately; provided, however, that in no event will they be reduced to amounts less than the then outstanding principal of, and interest on, the Secured Notes.

(e) "Owner Participant" Includes Affiliated Group. For purposes of this Section 11, the term "Owner Participant" shall include the corporation constituting the Owner Participant and shall also include any affiliated group of which the Owner Participant, is, or may become a member, and each member of such affiliated group, if consolidated, joint, or combined returns are filed for such affiliated group for Federal, state or local income tax purposes.

(f) Payment. Any payments made pursuant to this Section 11 shall be made directly to the Owner Participant or the Charterer, as the case may be. Such payments shall be made by wire transfer of immediately available funds to such bank and/or account in the continental United States as specified by the Owner Participant or the Charterer, as the case may be, in written directions to the payor, and if no such direction shall have been given, by check of the payor payable to the order of the Shipowner or the Charterer, as the case may be, and mailed to the Owner Participant or the Charterer, as the case may be, by certified mail, postage prepaid at its address for notices set forth in Section 13 hereof.

(g) Finality of Computation. All computations required to be made under this Section 11 shall be made in the first instance by the Owner Participant and if requested by the Charterer shall, at the Charterer's expense, be verified by independent public accountants selected by Owner Participant from the following, except that the Owner Participant shall not select the independent public accountants who certified the most recent certified financial statement of the Owner Participant: Arthur Andersen & Co.; Arthur Young & Company; Coopers & Lybrand; Ernst & Ernst; Deloitte Haskins & Sells; Peat, Marwick, Mitchell & Co.; Price Waterhouse & Co.; and Touche Ross & Co. Any such computation shall be final, binding and conclusive upon the Owner Participant and the Charterer and the Charterer shall have no right to inspect the books, records, tax returns or other documents of or relating to the Owner Participant. The assumptions, methods of analysis and other

information revealed or made available to such independent public accountants shall be kept confidential and shall not be revealed by them to any other person.

Section 12. General Indemnity. (a) The Charterer, whether or not any of the transactions contemplated hereby are consummated, shall defend, indemnify and save harmless the Bank, the Shipowner, the Owner Participant and the Lender and the successors and assigns, officers, directors and agents of each (each of the foregoing being herein referred to as an "Indemnitee") on a net after-tax basis (taking into account the tax effect of any payment by the Indemnitee to others occasioned by the event giving rise to the indemnity payment), from and against any claim, penalty, cause of action, damage, liability (whether or not based on a theory of strict or absolute liability in tort or otherwise) or expense (including reasonable legal fees and expenses) in any manner arising prior to the end of the Charter Period (or during any period in which the Shipowner or the Lender is exercising any remedies pursuant to Section 20 of the Charter) out of, or relating to:

(1) the construction (other than payment of the contract price), acceptance, rejection, delivery, possession, ownership, chartering, subchartering, maintenance, use, repair, operation, redelivery, permitted sale or other permitted disposition (other than as provided in Section 22 hereof) of any of the Vessels, or by reason of their condition (whether or not discoverable by due diligence), including, without limitation, claims for patent, trademark or copyright infringement, loss or any damage to a Vessel or any cargo carried by a Vessel or damage to any other craft or vessels or other property belonging to third parties or death or injury to any person, regardless of whether such claim is made or cause of action brought during or subsequent to the Charter Period, except only that the Charterer shall not be required to indemnify (i) any Indemnitee for any loss or liability resulting from any such Indemnitee's own negligence (except to the extent such negligence is attributable to the negligence of the Charterer) or willful misconduct or (ii) any Indemnitee for any loss or liability which it may incur as a result of a default or breach by such Indemnitee under or in connection with any agreement referred to herein to which such Indemnitee is a party or (iii) any Indemnitee from any loss or liability arising as a result of any matter occurring after the expiration or earlier termination of the Charter (except during any period in which the Shipowner or the Lender is exercising any remedies pursuant to Section 20 of the Charter); or

(2) the preparation, execution and delivery of this Agreement and any other documents or instruments referred to herein or contemplated hereby, including without limitation:

(i) the reasonable fees, expenses and disbursements of (I) Messrs. Morgan, Lewis & Bockius and (II) any special counsel for each of the Lender, the purchasers of the Refinancing Obligations, the Shipowner and the Indenture Trustee; and

(ii) all other expenses in connection with the transactions contemplated hereby including, without limitation, printing and duplicating expenses and all fees, taxes and other charges payable in connection with the recording or filing of instruments and financing statements described in this Agreement and continuation statements with respect thereto, the Refinancing Cost and the initial and ongoing fees and expenses of the Indenture Trustee, the Bank and the Shipowner;

provided, however, that the indemnities set forth in this Section 12(a) shall not include any item financed as part of Shipowner's Cost or paid by the Charterer as an advance pursuant to Section 2(i) hereof; provided further, however, that neither the indemnities set forth in this Section 12(a) nor any other provision of the Principal Documents shall be construed as a guarantee by the Charterer of the residual value of the Vessels or as a guarantee of the payment of the principal of or interest on the Secured Notes or the Refinancing Obligations.

(b) The indemnities provided for in this Section 12 are expressly subject to the following: in case any action, including any investigatory proceeding, shall be brought against, or commenced with respect to, any Indemnatee in respect of which the Charterer is required to indemnify such Indemnatee pursuant to the provisions of this Section 12, the Charterer shall have the right to, and upon request of any Indemnatee shall, assume the defense thereof, including the employment of counsel reasonably satisfactory to such Indemnatee and the payment of all fees and expenses related thereto. In the event the Charterer assumes the defense of any such action, any Indemnatee shall have the right to employ separate counsel in such action and participate therein, but the fees and expenses of such counsel shall be at the expense of such Indemnatee, unless (i) the employment of such counsel has been specifically authorized by the Charterer, (ii) the named parties to such action

(including any impleaded parties) include both such Indemnitee and the Charterer and representation of such Indemnitee and the Charterer by the same counsel would be inappropriate under applicable standards of professional conduct due to actual or potential conflicting interests between them, or (iii) the counsel employed by the Charterer and satisfactory to such Indemnitee has advised such Indemnitee, in writing, that such counsel's representation of such Indemnitee would be likely to involve such counsel in representing differing interests which could adversely affect either the judgment or loyalty of such counsel to such Indemnitee, whether it be a conflicting, inconsistent, diverse or other interest (in which case the Charterer shall not have the right to assume the defense of such action on behalf of such Indemnitee, it being understood, however, that the Charterer shall not, in connection with any one such action, or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allocations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for each such Indemnitee, which firm shall be designated in writing by such Indemnitee). The Charterer shall not be liable for any settlement of any such action effected without its consent, but if settled with the consent of the Charterer or if there be a final judgment, beyond further review or appeal, for the plaintiff in any such action, the Charterer agrees to indemnify and hold harmless any Indemnitee from and against any loss or liability on a net after-tax basis by reason of such settlement or judgment. Notwithstanding anything in this Agreement to the contrary, no Indemnitee shall ever be entitled under any circumstances to any amount hereunder which, when added to all amounts received under contracts, indemnity agreements or insurance policies, would result in such Indemnitee's receiving more than it would be entitled to recover under the provisions of, or as contemplated by, this Agreement.

(c) If any Indemnitee has knowledge of any liability indemnified against pursuant to this Section 12, it shall give prompt written notice thereof to the Charterer, but the failure to give such notice shall not relieve the Charterer of its obligations under this Section 12.

Section 13. Notices. Unless otherwise expressly specified or permitted by the terms hereof, all communications and notices provided for herein shall be in writing, and any such notice shall become effective upon personal delivery thereof or five days after the date on which it shall have been deposited in the United States mail, with proper postage prepaid, for delivery by certified mail with return receipt requested, addressed (i) if to the Owner Participant or the Guarantor, to it at One Washington Mall, Boston, Massachusetts 02108 Attention: Vice President, Administration, or at such other address as the Owner Participant shall from time to time designate by notice in writing to the other parties hereto, (ii) if to the Charterer, to it at One Oliver Plaza, Pittsburgh, Pennsylvania 15222, Attention: Vice President, Finance, or at such other address as Charterer shall from time to time designate by notice in writing to the other parties hereto, (iii) if to the Lender, to it at Pittsburgh National Building, Pittsburgh, Pennsylvania 15222, Attention: Bruce Robbins, Vice President or at such other address as the Lender may from time to time designate by notice to the other parties hereto and (iv) if to the Shipowner, to it at One Constitution Plaza, Hartford, Connecticut 06115, Attention: Corporate Trust Department, or at such other address as the Shipowner may from time to time designate by notice to the other parties hereto.

Section 14. Headings. The headings of the various Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 15. Representations and Warranties to Survive Delivery. All representations, warranties, indemnities and covenants contained in this Agreement, the Charter or any certificate, document, instrument or other agreement delivered pursuant hereto or thereto shall survive any investigation or inspection made by or on behalf of the Lender, the Charterer, the Owner Participant or the Shipowner and the sale and delivery of the Vessels to the Shipowner.

Section 16. Section 48(d) Election. The Owner Participant hereby agrees to the extent allowable, to make an election under Section 48(d) of the Code to pass all available investment tax credit with respect to the Vessels for 1981 to the Charterer. The Charterer agrees to consent to such election.

Section 17. Owner Participant's and Shipowner's Liens.

Each of the Owner Participant and the Bank severally covenant and agree with the other parties hereto that it will take such action as may be necessary to keep the Security free and clear of all Liens arising as a result of any claim against the Owner Participant or any of its Affiliates or the Bank or any of its Affiliates, as the case may be, unrelated to the Overall Transaction unless any such Lien is (a) for taxes of the Owner Participant or the Bank, as the case may be, either not yet due or being contested in good faith by appropriate proceedings which do not involve any danger of the sale, forfeiture or loss of all or any part of the Security or any interest therein or (b) arises out of judgments or awards against the Owner Participant or the Bank, as the case may be, with respect to which an appeal or proceeding for review is being prosecuted in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review. Each of the Owner Participant and the Bank severally agree to indemnify, protect, save and keep harmless the other parties hereto and their respective successors, assigns, agents and servants (for purposes of this Section 17, referred to individually as an "Indemnitee" and collectively as the "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by or asserted at any time (whether before, during or after the Charter Period) against any Indemnitee in any way relating to or arising out of Liens of any kind on or in respect of the Vessels or any other part of the Security arising as a result of claims against the Owner Participant or any of its Affiliates or the Bank or any of its Affiliates, as the case may be, of a character required to be discharged pursuant to the preceding sentence. Each Indemnitee agrees that the Owner Participant shall be responsible only for Owner Participant's Liens and that the Bank shall be responsible only for Shipowner's Liens.

Section 18. Concerning the Owner Participant and the Shipowner. (a) In no case whatsoever shall the Owner Participant be personally liable for, or for any loss in respect of, any of the representations, warranties, agreements or obligations of the Owner Participant hereunder, as to all of which the parties hereto agree to look solely to the Security, except that the Owner Participant shall be personally liable for (i) its own willful misconduct or gross negligence, (ii) the breach of any representation or warranty made by the Owner Participant in Section 5(a), (b), (c) (other than, in the case of clause (ii) thereof, laws or governmental rules or regulations

relating to vessels, shipping or the chartering of vessels), (e), (g), (i), (k) and (iii) the breach of any of its obligations under Section 2, 17, 19, 20, 21 or 22 hereof.

(b) All of the statements, representations, covenants and agreements made by The Connecticut Bank and Trust Company (or any entity acting as successor trustee) in its capacity as trustee under the Trust Agreement or in its individual capacity, or made by any officer of The Connecticut Bank and Trust Company (or any entity acting as successor trustee), and contained in this Agreement (except as to those representations set forth in Section 6 hereof which are expressly made by the Bank and the Bank's covenants set forth in Section 17 hereof) or the documents delivered with respect hereto and all documents constituting part of the Security while in form purporting to be made by The Connecticut Bank and Trust Company (or any entity acting as successor trustee) in its capacity as trustee under the Trust Agreement or in its individual capacity or made by such officer, are, except to the extent expressly provided in this Section 18(b), nonetheless made and intended only for the purpose of binding the Security and establishing the existence of rights and remedies provided for in this Agreement and such other documents which can be exercised and enforced against the Security. Therefore, anything contained in any of the aforesaid documents to the contrary notwithstanding, no recourse shall be had for the payment of any amounts due under this Agreement, or shall be had for any claim based on any provision of any of the documents referred to in the preceding sentence hereof, against The Connecticut Bank and Trust Company (or any entity acting as successor trustee) in its capacity as trustee under the Trust Agreement or in its individual capacity, and The Connecticut Bank and Trust Company (or any such entity acting as such successor trustee) shall have no personal obligation, liability or duty whatsoever to the other parties hereto for or with respect to any such payment, the performance of or compliance of any statement or representation made in any such document, except that the Bank shall be personally liable for its own gross negligence or willful misconduct and for breach of the applicable provisions of Section 17 hereof or of the applicable representations and warranties which are expressly made by the Bank in Section 6 hereof. Nothing contained in this Section 18(b) shall be construed to limit the exercise and enforcement, in accordance with the terms of this Agreement, the Security Agreement and the documents constituting part of the Security, of the rights and remedies of the other parties hereto against the Security.

Section 19. Refinancing. (a) The Shipowner, the Owner Participant and the Charterer agree to cooperate in the refinancing of the Secured Notes with Title XI Obligations. The Shipowner, the Owner Participant and the Charterer recognize that the execution and delivery of the Title XI Obligations and the Guarantees are dependent upon, among other things, the review and satisfaction by the Secretary of the transactions contemplated by this Agreement and that prior to the date hereof neither this Agreement nor any of the documents referred to herein has been reviewed by the Secretary. The Shipowner, the Owner Participant and the Charterer covenant and agree that each will promptly take all such actions and prepare and file all such documents as may be reasonably requested by Messrs. Morgan, Lewis & Bockius as necessary or desirable in their opinion to induce the Secretary to execute and deliver the Guarantees. Each of the parties hereto further covenants and agrees that (1) it will enter into such Title XI Documents as are customary for such party to enter into in connection with the issuance and sale of the Title XI Obligations and (2) if the Secretary shall require as a condition of its execution and delivery of the Guarantees that this Agreement or all or any of the documents referred to herein be amended, supplemented, waived or modified in any manner and the terms and provisions of any such amendment, supplement, waiver or modification shall not in the reasonable opinion of such party materially adversely affect the interests of such party as described herein or in such documents, then such party will enter into such written agreement or supplemental agreement or other instrument as shall be appropriate to accomplish such purpose.

(b) The Shipowner, the Owner Participant and the Charterer agree to cooperate, in the event Title XI Obligations are not issued prior to one year from the date hereof or the Title XI application of the Charterer is denied or withdrawn, in the refinancing of the Secured Notes with indebtedness not guaranteed under Title XI. In connection therewith, the Shipowner, the Owner Participant and the Charterer covenant and agree to take all such actions and prepare and enter into such agreements (including amendments to the Principal Documents) as may be necessary or desirable to obtain such refinancing; provided, that the Shipowner, the Owner Participant and the Charterer shall not be required to take any action or enter into any agreement which is, in the reasonable opinion of such party, materially adverse to such party's interests.

(c) The Owner Participant shall in no event have any obligation to invest in the Vessels more than the maximum amount specified in Section 2(b) hereof. Neither the Shipowner nor the Owner Participant shall have any obligations under this Section 19 during the continuance of any Event of Default which has been declared and which results from an Event of Default described in Section 19(a) or (e) of the Charter or from a breach of the Charterer's covenants in Section 13(f) of the Charter.

(d) The Lender agrees upon repayment of the Secured Notes in full and in accordance with the terms of the Security Agreement to execute and deliver such documents discharging the Mortgage, the Security Agreement and the Liens thereof and to take such other reasonable action as may be requested by the Shipowner or the Charterer in order to effectuate the issuance of the Refinancing Obligations.

(e) The parties hereto agree that all Refinancing Cost shall be financed as part of the refinancing contemplated by Sections 19(a) and (b) hereof as part of Shipowner's Cost.

Section 20. Citizenship of the Parties. Each of the Charterer, the Shipowner, the Owner Participant and the Lender agree, to the extent within its reasonable control or the reasonable control of any of its Affiliates, to remain a Citizen during the term of this Agreement, the Security Agreement, the Mortgage and the Charter, except that the Lender need not remain a Citizen after it ceases to be the mortgagee under the Mortgage. In the event any party hereto shall for any reason cease to be a Citizen during such term, such party shall promptly notify the other parties hereto and, after consultation with the other parties, will take such reasonable steps as may be necessary or advisable to enable such other parties to enjoy the benefits of the transactions originally contemplated by this Agreement; provided that the Shipowner shall promptly so notify the other parties after having Actual Knowledge of ceasing to be a Citizen.

Section 21. Employee Retirement Income Security Act of 1974. The Lender represents to the Owner Participant, the Bank and the Charterer that the Lender is not acquiring the Secured Notes with the assets of any plan (or its related trust) as defined in Section 4975(e) of the Code or with the assets of any employee benefit plan (or its related trust) as defined in Section 3(3) of ERISA. The Owner Participant represents to the Lender, the Bank the Charterer that the Owner Participant is not acquiring its interest in the Vessels with the assets of any plan (or its related trust) as defined in Section 4975(e) of the Code or with the assets of any employee benefit plan

(or its related trust) as defined in Section 3(3) of ERISA.

Section 22. Transfer of the Owner Participant's Interests. (a) The Owner Participant agrees that if it should in the future decide to dispose of its interest in and to the Vessels or any of the Security (which it does not now contemplate doing), it will do so only in compliance with such securities laws and regulations as may at the time be in effect and applicable.

(b) Subject to Section 22(a) hereof, the Owner Participant may from time to time transfer all or any part of its right, title and interest as Owner Participant in and to the Charter, the properties pledged or mortgaged as part of the Security or this Agreement (i) to any bank, insurance company, finance company or other financial institution with a combined capital and surplus of at least \$25,000,000, (ii) to any bank, insurance company, finance company or other financial institution with a combined capital and surplus of less than \$25,000,000 if the personal obligations of such transferee with respect to the transactions contemplated hereby are unconditionally guaranteed by an Affiliate of such transferee with a combined capital and surplus of at least \$25,000,000, (iii) to any charitable organization with a net worth of at least \$25,000,000, (iv) with the prior written consent of the Lender and the Charterer, which consent shall not be unreasonably withheld, to any Affiliate of the Owner Participant provided that the Guaranty remains in effect with respect to such Affiliate or (v) without the prior written consent of the Lender or the Charterer, to any Affiliate of the Owner Participant provided that (except for a transfer to the Guarantor or to New England Merchants Bank or to any other Affiliate of the Owner Participant if the Guaranty is made applicable to such Affiliate) the Owner Participant remains liable for all of its obligations under this Agreement and the Trust Agreement; provided, however, that,

(i) the Owner Participant shall give written notice of such transfer to the parties hereto within 20 days prior to the date such transfer is to occur;

(ii) the Owner Participant shall have made all necessary filings in the United States to maintain the mortgage and security interests created pursuant to the Mortgage and the Security Agreement as first and prior interests and the Lender shall have received an opinion of counsel satisfactory to the Lender to such effect;

(iii) such transferee shall be a Citizen;

(iv) such transfer will not violate any provision of, or create a relationship which would be in violation of, the Securities Act of 1933, as amended, or of any other applicable provision of law; and

(v) (A) the person to which such transfer is to be made shall execute an instrument, in form and substance reasonably satisfactory to the Charterer, the Bank and the Lender, whereby such transferee confirms for the benefit of the Charterer, the Bank and the Lender that it has the requisite power and authority to enter into and to carry out the provisions of the Trust Agreement and this Agreement and that it shall be deemed a party thereto and agrees to be bound by all the terms of, and assumes all of the obligations of the Owner Participant contained in, each of the Trust Agreement and this Agreement with respect to the interest being transferred and (B) the Owner Participant shall deliver to the Lender, the Bank and the Charterer an opinion or opinions satisfactory in form and substance to the Lender, the Bank and the Charterer, of counsel reasonably satisfactory to the Lender and the Charterer, to the effect that such instrument is the legal, valid and binding obligation of the transferee and that the Trust Agreement and this Agreement shall, immediately after such transfer, remain the legal, valid and binding obligation of each party thereto as if such transfer had not occurred;

provided further, however, that if an Event of Default shall have occurred and be continuing, the instrument referred to in clause (v)(A) above shall not be required to be satisfactory to the Charterer. Notwithstanding the foregoing provisions of this Section 22, the Owner Participant shall not be released after any transfer pursuant to this Section 22 from any obligation arising prior to such transfer.

The costs and expenses of any such transfer pursuant to this Section 22 shall be paid for by the Owner Participant.

Section 23. Change in Hire Factors. (a) In the event of a Change, the Owner Participant shall recalculate the Hire Factors in accordance with the applicable provisions of this Section 23, and shall cause the indebtedness secured by the Mortgage to be prepaid to the extent required and in accordance with the applicable provisions of Section 23(e) hereof (said recalculations and prepayments herein referred to as the "Adjustments").

(b) At any time and from time to time the Charterer or the Owner Participant may give written notice to the other stating that a Change in Tax Law has occurred. If such notice is given by the Owner Participant it shall set forth in reasonable detail the proposed Adjustments. If such notice is given by the Charterer, the Owner Participant shall within 30 days of receipt thereof give a notice to the Charterer setting forth in reasonable detail the proposed Adjustments.

(c) If a Change in Debt is to occur, the Owner Participant shall give the Charterer written notice setting forth in reasonable detail the proposed Adjustments to occur as a result thereof as soon as reasonably possible and in any such event at least 10 days before the scheduled occurrence thereof.

(d) If a Change in Transaction Costs has occurred or is to occur, the Owner Participant shall give the Charterer notice thereof setting forth in reasonable detail the proposed Adjustments as soon as reasonably possible.

(e) If a Change has occurred, the amount of Basic Charter Hire payable on each Basic Hire Charter Payment Date during the remainder of the Original Term shall be adjusted up or down, as the case may be, by the Owner Participant, if necessary, so as to maintain the after-tax economic and accounting yield and overall net after-tax cash flows over the Original Term (including the period prior to the date of the first adjusted payment of Basic Charter Hire) in respect of each Vessel affected by such Change at a level which is not less than the level that would have pertained if such Change had not occurred; provided that in no event shall the amount of any installment of Basic Charter Hire be reduced to an amount less than the amount of interest and principal then payable on the Secured Notes or Refinancing Obligations; provided, further, that any adjustment in the installments of Basic Charter Hire shall be made only if and to the extent that such reduction shall not result in the transactions contemplated hereby failing to satisfy any of the advance ruling requirements of the Internal Revenue Service as set forth in Rev. Proc. 75-21, 975-1 C.B.

715 and Rev. Proc. 75-28, 1975-1 C.B. 752 (but applying the conditions therein relating to uneven rent only prospectively following such recomputation over the remaining portion of the Original Term), or any other similar published position of the Internal Revenue Service, or failing to satisfy the requirements of FASB Statement No. 13 (or any successor thereto adopted on or before the date of such computation) for leveraged lease accounting treatment by the Owner Participant. The Owner Participant shall be deemed to have made all elections in such manner as may reasonably be expected to result in the maximum advantage to the Charterer under this Section (provided that the Owner Participant's after tax economic and accounting yield and overall net after tax cash flows are preserved under this Section 23), except to the extent inconsistent with elections or decisions actually made in good faith with respect to other property owned by the Owner Participant and not leased to others. The Owner Participant, the Shipowner and the Lender each hereby agrees that if a partial prepayment of the Secured Notes or Refinancing Obligations is necessary in order to permit the Owner Participant to maximize any downward adjustment of Basic Charter Hire pursuant to this Section 23(e), then, to that extent, the principal amount of such indebtedness then outstanding shall be prepaid or redeemed as promptly as may be advisable in accordance with the applicable provisions of the Security Agreement or other governing indenture or agreement with funds provided for such purpose by the Owner Participant in accordance with Section 2(f) hereof.

Upon the adjustment of Basic Charter Hire as a result of a Change, the schedules of Stipulated Loss Values and Termination Values set forth in the Charter, and the tax assumptions set forth in Section 11(a) hereof, shall be appropriately revised in accordance with all of the assumptions made and criteria employed in calculating the adjustments of Basic Charter Hire pursuant to this Section 23(e). In the event that the Charterer shall previously have made any payment in respect of Stipulated Loss Value, the Charterer shall pay to the Owner Participant or the Owner Participant shall pay to the Charterer, as the case may be, an amount properly reflecting the retrospective adjustment of Stipulated Loss Value, if and to the extent such payment is appropriate to maintain the after-tax economic and accounting yield and overall net after-tax cash flows as aforesaid.

(f) Prior to the first Delivery Date and prior to or upon delivery to the Charterer of of any proposed Adjustments pursuant to this Section 23, the Owner Participant will deposit with Messrs. Morgan, Lewis & Bockius materials (including all relevant work sheets or computer printouts) fully evidencing the assumptions, methods and actual figures originally utilized by the Owner Participant in computing the original Hire Factors or such Adjustments, respectively. Within 15 days of receipt of a notice of proposed Adjustments, the Charterer may demand that, at the Charterer's expense, a firm of independent public accountants of national standing and reputation selected by the Owner Participant and reasonably satisfactory to the Charterer verify, in consultation with the Owner Participant, whether any such Adjustment was not determined correctly, or in accordance with the provision of this Section 23. If such firm shall determine any such Adjustment was not determined correctly, or in accordance with the provisions of this Section 23, such firm shall determine the appropriate Adjustment or Adjustments. Any Adjustment or Adjustments determined by the Owner Participant, or, if demanded by the Charterer as provided in this Section 23, the determination of such firm, shall be final, binding and conclusive upon the parties hereto, and the Charterer shall have no right to inspect the books, records, tax returns or other documents of or relating to the Owner Participant to verify such Adjustment or Adjustments or for any other purpose. The final determination of any Adjustment or Adjustments shall be set forth in a written agreement executed and delivered by the parties hereto; provided that the failure to so set forth such Adjustments shall not affect the validity of such Adjustments for the purposes of the Principal Documents. Adjustments shall be effective on the Charter Hire Payment Date first occurring not less than 20 days after receipt of said notice if no demand for verification has been made by the Charterer as aforesaid or on the Charter Hire Payment Date first occurring not less than 20 days after the determination by such firm of accountants if such demand has been made.

Section 24. Miscellaneous. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which enforcement of the termination, amendment, supplement, waiver or modification is sought; and after issuance of the Secured Notes (except with respect to Sections 10, 11 and 12 hereof insofar as they concern the Owner Participant or the Shipowner) no such termination, amendment,

supplement, waiver or modification shall be effective without the prior written consent of the Lender. The terms of this Agreement shall be binding upon, and inure to the benefit of, the Charterer, the Bank (as expressly set forth herein), the Shipowner, the Owner Participant, the Lender and their respective successors and assigns. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereto hereby waive any provision of law which renders any provision hereof prohibited or unenforceable in any respect. This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania. This Agreement shall not become binding on any party hereto until executed and delivered by all parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Participation Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

NEW ENGLAND MERCHANTS LEASING
CORPORATION B-7

By: /s/ Steven G. Morison
Vice President-Administration

PITTSBURGH NATIONAL B.NK

By: /s/ Charles H. Bracken
Vice President

DRAVO MECHLING CORPORATION

By: /s/ W. J. Mollenauer
Vice President

THE CONNECTICUT BANK AND TRUST
COMPANY, not in its individual
capacity (except as set forth
in Section 6 hereof, insofar as
it expressly relates to the Bank,
and in Section 17 hereof) but
solely as owner trustee under
the Trust Agreement

By: /s/ F. Kawam
Vice President

Participation Agreement Amendment

This PARTICIPATION AGREEMENT AMENDMENT, dated as of March 18, 1982, among DRAVO MECHLING CORPORATION, a Delaware corporation (the "Charterer"); NEW ENGLAND MERCHANTS LEASING CORPORATION B-7, a Massachusetts corporation (the "Owner Participant"), THE CONNECTICUT BANK AND TRUST COMPANY, as owner trustee under the Trust Agreement, dated as of April 1, 1981, between it and the Owner Participant (in its capacity as owner trustee, the "Shipowner") and PITTSBURGH NATIONAL BANK, a national banking association (the "Lender").

WHEREAS, the parties hereto desire to amend certain terms of the Participation Agreement, dated as of April 1, 1981, among the parties hereto (the "Participation Agreement").

1. The Participation Agreement, other than Sections 10, 11 and 12 thereof, may not be amended except with the written consent of the United States of America, represented by the Secretary of Transportation acting by and through the Maritime Administrator.

2. This Amendment may be executed in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

NEW ENGLAND MERCHANTS LEASING
CORPORATION B-7

By: /s/ Phillip Sternstein
Vice President

PITTSBURGH NATIONAL BANK

By: /s/ Charles H. Bracken
Vice President

DRAVO MECHLING CORPORATION

By: /s/ W. J. Mollenauer
Vice President

THE CONNECTICUT BANK AND TRUST
COMPANY, not in its individual
capacity but solely as owner
trustee under the Trust Agreement

By: /s/ M. J. Rister

**EXHIBIT 7 to
SECURITY AGREEMENT**

Refinancing Agreement

REFINANCING AGREEMENT (NM-1)

Dated as of February 24, 1989

among

**NEW ENGLAND MERCHANTS LEASING CORPORATION B-7,
as Owner Participant**

**NEMLC LEASING CORPORATION,
as Loan Participant**

**NATIONAL MARINE, INC.,
as Charterer**

AND

**THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION,
as Owner Trustee**

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(Not Part of Agreement)

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THIS REFINANCING AGREEMENT, dated as of February 24, 1989, among New England Merchants Leasing Corporation B-7, a Massachusetts corporation (the "Owner Participant"); NEMLC Leasing Corporation, a Massachusetts corporation (the "Loan Participant" and, together with the Owner Participant, sometimes collectively "Participants" and each individually a "Participant"); National Marine, Inc. (formerly called Dravo Mechling Corporation), a Delaware corporation (the "Charterer"); and The Connecticut Bank and Trust Company, National Association (the successor by merger to The Connecticut Bank and Trust Company, a Connecticut corporation), a national banking association, not in its individual capacity, except as otherwise expressly provided herein, but solely as trustee (herein in such capacity called the "Owner Trustee" or "Shipowner") under a Trust Agreement dated as of April 1, 1981 as amended by Trust Agreement Amendment No. 1 dated March 18, 1982 and Trust Agreement Amendment No. 2 dated the date hereof (the "Trust Agreement Amendment"), between the Owner Trustee and the Owner Participant (the "Trust Agreement").

W I T N E S S E T H:

WHEREAS the Owner Participant, Pittsburgh National Bank, the Charterer and the Owner Trustee have entered into a Participation Agreement, dated as of April 1, 1981, as amended by Amendment No. 1 to Participation Agreement dated March 18, 1982 (the "Participation Agreement"; unless otherwise defined herein terms defined in the Participation Agreement or the Charter or the Indenture referred to below shall have such defined meanings when used herein);

WHEREAS, the Shipowner is the owner of 20 covered hopper barges named DM 2801 through 2820, Official Nos. 633859 through 633878, built at the Neville Island, Pennsylvania shipyard of Dravo Corporation, a Pennsylvania corporation (the "Shipbuilder") (collectively the "Vessels" and individually a "Vessel");

WHEREAS, construction of the Vessels was financed by contributions of equity by the Owner Participant via the Shipowner and interim loans from Pittsburgh National Bank;

WHEREAS, the Shipowner has bareboat chartered the Vessels to the Charterer pursuant to a Bareboat Charter dated as of April 1, 1981, between the Shipowner and the Charterer as amended and restated by an Amended and Restated Bareboat Charter dated as of March 18, 1982, as amended by Amendment No. 1 dated December 27, 1982 and Amendment No. 2 dated the date hereof (said Amended and Restated Bareboat Charter, as the same may be further amended, supplemented or modified from time to time, being herein called the "Charter");

WHEREAS, in order to obtain permanent financing for the Vessels, the Shipowner has executed and delivered a Trust Indenture dated as of March 18, 1982 (said Trust Indenture, as the same may be amended, supplemented or modified from time to time being herein called the "Indenture") between it and Mercantile-Safe Deposit Trust Company, a Maryland banking corporation as Indenture Trustee (the "Indenture Trustee"), and has authorized the issuance under the Indenture of its bonds designated "United States Government Guaranteed Ship Financing Bonds, DMC 1 Series" (the "Title XI Obligations") in an aggregate principal amount of \$3,474,000;

WHEREAS, the Shipowner has, in consideration of the issuance of certain Guarantees by the Secretary of Transportation (the "Secretary"), of the payment of the unpaid interest on, and the unpaid balance of the principal of, the Title XI Obligations, and pursuant to the terms and provisions of that certain Security Agreement dated March 18, 1982 between the Shipowner and the Secretary (the "Title XI Security Agreement"), issued and delivered to the Secretary its promissory note dated March 18, 1982, in the principal amount of \$3,474,000 (said promissory note, in the form attached to the Security Agreement called the "Secretary's Note") and has executed and delivered a First Preferred Fleet Mortgage to the Secretary (said First Preferred Fleet Mortgage as the same has been amended, supplemented or modified from time to time being herein called the "Title XI Mortgage") for the purpose of securing the payment of the principal of and interest on the Secretary's Note in accordance with its terms;

WHEREAS, the parties hereto desire to arrange for the purchase by the Shipowner of the outstanding Title XI Obligations from the holder thereof, for the delivery of such Title XI Obligations to the Indenture Trustee for cancellation and for the satisfaction and discharge of the Indenture by the Indenture Trustee in accordance with Section 12.01 of the Indenture (the "Indenture Release");

WHEREAS, in order to finance the purchase of the Title XI Obligations by the Shipowner, the Shipowner will issue to the Loan Participant its 13.05% Secured Notes due December 31, 2000 in the principal amount of \$3,216,000 (the "Secured Notes");

WHEREAS, for purposes of securing the payment of the principal of and interest on the Secured Notes, (i) the Owner Trustee and the Charterer shall execute and deliver an amendment to the Charter substantially in the form of Exhibit A hereto (the "Second Charter Amendment"); (ii) the Owner Trustee and the Loan Participant shall execute and deliver a Security Agreement substantially in the form of Exhibit B hereto (the "Security

Agreement") and a First Preferred Fleet Mortgage covering the Vessels substantially in the form of Exhibit C hereto (the "Mortgage"); (iii) the Charterer shall execute and deliver a First Preferred Fleet Mortgage covering certain vessels substantially in the form of Exhibit D hereto (the "Collateral Mortgage"); (iv) the Charterer shall execute and deliver a Second Preferred Fleet Mortgage covering certain vessels substantially in the form of Exhibit E hereto (the "Second Mortgage") (the vessels covered by the Collateral Mortgage or the Second Mortgage, as the case may be, being herein collectively called the "Collateral Vessels"); and (v) the Owner Trustee shall execute and deliver to the Loan Participant an assignment of the Collateral Mortgage (the "Assignment of Collateral Mortgage") and an assignment of the Second Mortgage (the "Assignment of Second Mortgage") substantially in the forms of Exhibits F and G hereto, respectively.

NOW, THEREFORE, in consideration of the premises hereof and the mutual agreements herein contained, the parties hereto agree as follows:

Section 1. Purchase of Title XI Obligations. Subject to the terms and conditions of this Agreement and on the basis of the representations and warranties hereinafter set forth, on the Closing Date (as hereinafter defined) the following transactions shall be effected in the order set forth below (provided that none of such transactions shall be effected unless all of such transactions shall be effected on the Closing Date);

First, the Loan Participant shall make a loan to the Owner Trustee in the principal amount of \$3,216,000, evidenced by the Secured Notes and secured by (among other things) the Security Agreement and the Mortgage;

Second, the Owner Trustee shall purchase the outstanding Title XI Obligations from the holder thereof and shall deliver the Title XI Obligations to the Indenture Trustee for cancellation;

Third, the Indenture Trustee shall execute and deliver a Retired or Paid Certificate to the Secretary and the Secretary shall execute and deliver a release of the Title XI Mortgage (the "Release of Mortgage") and a Termination Agreement with respect to the satisfaction of the Title XI Security Agreement and certain obligations of the Charterer (the "Termination Agreement"); and

Fourth, the Charterer and the Owner Trustee shall execute and deliver the Second Charter Amendment, the Collateral Mortgage and the Second Mortgage and the Owner

Trustee and the Loan Participant shall execute and deliver the Assignment of Collateral Mortgage and the Assignment of Second Mortgage.

Section 2. Closing.

A closing for the purpose of consummating the transactions described in Section 1 hereof (the "Closing") shall be held at the offices of the Participants, 28 State Street, 24th Floor, Boston, Massachusetts, commencing at 9:00 A.M. Boston time on February 24, 1989 or on such later date as the parties may by Agreement determine (the "Closing Date").

Section 3. Conditions Precedent to the Obligations of the Participants. The obligation of the Loan Participant to make a loan to the Shipowner for the purchase of the Title XI Obligations on the Closing Date and of the Participants to carry out the other transactions described in Section 1 hereof is subject to the fulfillment of the following conditions precedent:

(a) On or prior to the Closing Date, the Second Charter Amendment, the Indenture Release, the Security Agreement, the Mortgage, the Collateral Mortgage, the Second Mortgage, the Assignment of Collateral Mortgage, the Assignment of Second Mortgage, the Trust Agreement Amendment, the Release of Mortgage and the Termination Agreement shall have been duly authorized, executed and delivered by the respective parties thereto, and each of such instruments shall be in full force and effect on the Closing Date, and an executed counterpart of each thereof shall have been delivered to each of the parties hereto.

(b) The Participants shall have received an appraisal from Sabine Surveyors, Inc., Port Arthur, Texas, which appraisal shall be satisfactory in form and substance to each Participant, and which appraisal shall state that the Vessels and the Collateral Vessels (the "Collateral") have a Total Pool Value (as defined in the Collateral Mortgage) on the Closing Date of at least 110% of the aggregate Termination Values applicable on the date hereof as set forth in the Charter.

(c) (i) The Vessels shall be duly documented in the name of the Owner Trustee under the laws and regulations and the flag of the United States and evidence thereof shall have been delivered to the Participants; (ii) the Collateral Vessels shall be duly documented in the name of the Charterer under the laws and regulations and the flag of the United States and evidence thereof shall have been delivered to the Participants; (iii) the Owner Trustee, with respect to the Vessels, and the Charterer, with respect to the Collateral Vessels, shall have title, free and clear of all liens, charges and encumbrances

whatsoever except for the Mortgage, the Charter, the Security Agreement and liens known to the Charterer after due inquiry which are listed on Schedule 1 hereto (in the case of the Vessels), or the Collateral Mortgage and the Second Mortgage and liens known to the Charterer after due inquiry which are listed on Schedule 1 hereto (in the case of the Collateral Vessels); (iv) each of the Release of Mortgage and the Mortgage shall have been duly recorded under Chapter 313 of Title 46 of the United States Code, as enacted pursuant to Public Law 100-710 ("Chapter 313"), so as to constitute the Mortgage a first "preferred mortgage" as defined in Chapter 313 with respect to the Vessels in favor of the Loan Participant; (v) the Collateral Mortgage and the Assignment of Collateral Mortgage shall have been duly recorded under Chapter 313, so as to constitute a first "preferred mortgage" as defined in Chapter 313 with respect to the applicable Collateral Vessels in favor of the Loan Participant; (vi) the Second Mortgage and the Assignment of Second Mortgage shall have been duly recorded under Chapter 313, so as to constitute a "preferred mortgage" subordinate to the Collateral Mortgage with respect to the applicable Collateral Vessels in favor of the Loan Participant; (vii) financing statements under the Uniform Commercial Code shall have been duly filed against the Owner Trustee and (viii) the Second Charter Amendment and the Security Agreement shall have been duly filed with the Interstate Commerce Commission (the "ICC") in accordance with 49 U.S.C. § 11303.

(d) The representations and warranties of the Charterer made herein shall be true and correct in all respects on and as of the Closing Date with the same effect as though made on and as of the Closing Date, and the Participants shall have received a certificate of the Charterer dated the Closing Date to such effect and to the effect that the Charterer has performed all agreements required to be performed by it on or prior to the Closing Date under all documents relating to the transactions contemplated hereby to which it is a party. On the Closing Date no default by the Charterer under this Agreement, and no Event of Default under the Charter or Default under the Collateral Mortgage or other event which with notice or lapse of time or both would constitute such an Event of Default or Default, shall have occurred and be continuing, and the Participants shall have received a certificate of the Charterer dated the Closing Date to such effect.

(e) The representations and warranties of the Owner Trustee made herein shall be true and correct in all respects on and as of the Closing Date with the same effect as though made on and as of the Closing Date, and the Participants shall have received a certificate of the Owner Trustee dated the Closing Date to such effect as to the representations and warran-

ties made by such party. On the Closing Date no default by the Owner Trustee under this Agreement, or other event which with notice or lapse of time or both would constitute an Event of Default, shall have occurred and be continuing, and the Participants shall have received a certificate of the Owner Trustee dated the Closing Date to such effect as to itself and to the effect that such party has performed all agreements required to be performed by it on or prior to the Closing Date under all documents relating to the transactions contemplated hereby to which it is a party.

(f) On the Closing Date, (i) no casualty, taking or similar event described in Sections 14 and 28 of the Charter shall have occurred with respect any Vessel; (ii) no casualty, taking or similar event described in Section 1.17 of each of the Collateral Mortgage and of the Second Mortgage, respectively shall have occurred with respect to the Collateral Vessels and (iii) the Participants shall have received a certificate of the Charterer dated the Closing Date to such effect.

(g) There shall have been delivered to or on behalf of the Participants the following documents, in form and substance satisfactory to the Participants, in such number of counterparts or copies as may reasonably be requested:

(i) satisfactory evidence as to the due compliance by the Charterer with the terms of the Charter relating to any required insurance with respect to the Vessels;

(ii) satisfactory evidence as to the due compliance by the Charterer with the terms of the Collateral Mortgage and the Second Mortgage relating to any required insurance with respect to the Collateral Vessels; and

(iii) (1) a receipt, executed by an officer of the Marine Safety Office, United States Coast Guard at New Orleans, Louisiana, evidencing payment of all expenses of recording the Release of Mortgage, the Mortgage, the Collateral Mortgage, the Assignment of Collateral Mortgage, the Second Mortgage and the Assignment of Second Mortgage; (2) a certificate of ownership issued by the Marine Safety Office, United States Coast Guard, at the Port of New Orleans, Louisiana, showing the Owner Trustee to be the owner of the Vessels free and clear of all recorded liens and encumbrances, except for the Mortgage, and (3) a certificate of ownership issued by the Marine Safety Office, United States Coast Guard, at the Port of New Orleans, Louisiana, showing the Charterer to be the owner of the Collateral Vessels free and clear of all recorded liens and encumbrances, subject however to the lien of the Collateral Mortgage and the Second Mortgage.

(h) The Participants shall have received a favorable opinion addressed to it of Messrs. Thompson & Mitchell, special counsel for the Charterer, dated the Closing Date and satisfactory to special counsel for the Participants, to the effect that:

(i) the Vessels and the Collateral Vessels, respectively, are free and clear of all liens, charges or other encumbrances whatsoever which result from acts of or claims against the Charterer or which secure obligations of the Charterer, other than the Mortgage, the Security Agreement, the Charter and liens permitted under the Charter (in the case of the Vessels) or the Collateral Mortgage and the Second Mortgage and liens permitted thereunder (in the case of the Collateral Vessels);

(ii) the Vessels and the Collateral Vessels are intended for "a use related to interstate commerce" within the meaning of 49 U.S.C. § 11303;

(iii) the Charterer is a "citizen of the United States" within the meaning of Section 2 of the Shipping Act, 1916, as amended, for the purpose of operating the Vessels and the Collateral Vessels in the coastwise trade of the United States;

(iv) no consent, approval, order or authorization of, giving of notice to, registration with, or taking of any other action in respect of, any Federal, state or other governmental authority or agency (including without limitation the Maritime Administration, United States Department of Transportation) is required under the provisions of any maritime law, rule or regulation (including without limitation the Shipping Act, 1916, as amended) for the execution and delivery of, the performance by the parties hereto and thereto of, or the carrying out by the parties hereto and thereto of any of the transactions contemplated by, the Second Charter Amendment, the Termination Agreement, the Collateral Mortgage, this Agreement, the Second Mortgage, the Security Agreement, the Mortgage, the Assignment of Collateral Mortgage, the Assignment of Second Mortgage, the Release of Mortgage, or the carrying out by the parties thereto of their respective obligations thereunder, other than any such consent, approval, order, authorization, registration, notice or action as has been duly obtained, given or taken, specifying the same;

(v) the execution and delivery of, and the performance by the parties hereto and thereto of their respective

obligations under, this Agreement, the Second Charter Amendment, the Termination Agreement, the Collateral Mortgage, the Second Mortgage, the Security Agreement, the Mortgage, the Assignment of Collateral Mortgage and the Assignment of Second Mortgage under present law, do not will not contravene the provisions of any maritime law, rule or regulation (including without limitation the Shipping Act, 1916, as amended), applicable to any of said parties and will not require further approval under any such rule or regulation, except as specified in such opinion; and

(vi) (1) the Vessels have been duly documented in the name of the Owner Trustee under the laws and regulations and the flag of the United States and no other action is necessary or advisable in order to establish and perfect the Owner Trustee's title to and interest in the Vessels as against the Charterer or any third parties in any applicable jurisdiction within the United States; (2) the Collateral Vessels have been duly documented in the name of the Charterer under the laws and regulations and the flag of the United States and no other action is necessary or advisable in order to establish and perfect the Charterer's title to and interest in the Collateral Vessels as against any third parties in any applicable jurisdiction within the United States; (3) each of the Release of Mortgage, the Mortgage, the Collateral Mortgage, the Assignment of Collateral Mortgage, the Second Mortgage and the Assignment of Second Mortgage has been duly recorded in the Office of the Officer in Charge, Vessel Documentation Section (or the Marine Safety Office), United States Coast Guard, at the Port of New Orleans, Louisiana (which office is the only place in which such recording is necessary); and the Mortgage constitutes a first "preferred mortgage" on the Vessels in favor of the Loan Participant under Chapter 313, having the effect and with the priority provided in Chapter 313, the Collateral Mortgage constitutes a first "preferred mortgage" on the applicable Collateral Vessels in favor of the Loan Participant under Chapter 313, having the effect and with the priority provided in Chapter 313, and the Second Mortgage constitutes a "preferred mortgage" subordinate to the Collateral Mortgage on the applicable Collateral Vessels in favor of the Loan Participant; and no other recording or periodic re-recording or filing or periodic re-filing of the Mortgage, the Collateral Mortgage or the Second Mortgage, or any other act with respect to the Mortgage, the Collateral Mortgage or the Second Mortgage is necessary under existing maritime or admiralty law to continue the lien of the Mortgage, the Collateral Mortgage or the Second Mortgage in favor of the Loan Participant.

(vii) except for the due recordation of the Release of Mortgage and the Mortgage under Chapter 313, the filing of financing statements and continuation statements under the Uniform Commercial Code in the State of Connecticut, the filing of the Second Charter Amendment and the Security Agreement with the Interstate Commerce Commission in accordance with 49 U.S.C. § 11303, the Loan Participant's possession of the original counterparts of the Charter and amendments thereto and the documentation of each Vessel in the name of the Owner Trustee, no further action is necessary or advisable in any jurisdiction in order to establish, preserve and perfect the Owner Trustee's legal title to and interest in each such Vessel and the Charter and the mortgage and security interest therein created for the benefit of the Loan Participant.

(i) Each Participant shall have received a favorable opinion addressed to it of H. James McKnight, Esq., Vice President and General Counsel of the Charterer, dated the Closing Date and satisfactory to special counsel for the Participants, to the effect that:

(i) the Charterer is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware and has the corporate power and authority to carry on its businesses as presently conducted, to own its properties and to lease the Vessels and to enter into, and carry out the transactions contemplated by, this Agreement, the Second Charter Amendment, the Termination Agreement, the Collateral Mortgage and the Second Mortgage and to perform its obligations under this Agreement, the Termination Agreement, the Charter, the Collateral Mortgage and the Second Mortgage, and has not failed to qualify to do business in any jurisdiction where failure so to qualify would materially and adversely affect its financial condition or its ability to perform its obligations under the aforesaid instruments;

(ii) the execution and delivery by the Charterer of this Agreement, the Second Charter Amendment, the Termination Agreement, the Collateral Mortgage and the Second Mortgage and the performance by the Charterer of this Agreement, the Charter, the Termination Agreement, the Collateral Mortgage and the Second Mortgage have been duly authorized by all necessary corporate action, do not require any stockholder approval, and do not and will not contravene any law or any governmental rule, regulation or order, or any judgment, order or decree applicable to the Charterer, and do not and will not contravene the provisions of the certificate of incorporation or by-laws of the Charterer or contravene

the provisions of, or constitute a default under, or subject the Vessels or the Collateral Vessels to any lien (other than the liens of the Mortgage, the Collateral Mortgage and the Second Mortgage, respectively), charge or encumbrance of, any indenture, mortgage, contract or other Agreement or instrument to which the Charterer is a party or by which the Charterer is bound;

(iii) this Agreement, the Second Charter Amendment, the Termination Agreement, the Collateral Mortgage and the Second Mortgage have been duly authorized, executed and delivered by the Charterer and this Agreement, the Charter, the Collateral Mortgage and the Second Mortgage constitute legal, valid and binding obligations of the Charterer, enforceable against the Charterer in accordance with their respective terms;

(iv) there are no actions, suits or proceedings pending, or to the knowledge of such counsel threatened, before any court, administrative agency, arbitrator or governmental body which, individually or in the aggregate, would impair the ability of the Charterer to make payments of Hire or materially impair the ability of the Charterer to perform its other obligations under this Agreement, the Termination Agreement, the Charter, the Collateral Mortgage or the Second Mortgage;

(v) the execution, delivery and performance by the Charterer of this Agreement, the Second Charter Amendment, the Termination Agreement, the Collateral Mortgage and the Second Mortgage do not require the consent or approval or authorization or order of, the giving of notice to, or the registration with, or the taking of any other action in respect of, any Federal, state or other governmental authority or agency, foreign or domestic, other than such as have been duly obtained or given;

(vi) all governmental filings and approvals necessary for the charter and operation of the Vessels have been made or obtained and the Vessels comply with all applicable laws, ordinances, rules and regulations of the United States; and

(vii) all governmental filings and approvals necessary for the operation of the Collateral Vessels have been made or obtained and the Collateral Vessels comply with all applicable laws, ordinances, rules and regulations of the United States;

(j) Each Participant shall have received an opinion addressed to it of Messrs. Day, Berry & Howard, counsel for the Owner Trustee, dated the Closing Date and satisfactory to special counsel for the Participants, to the effect that:

(i) The Connecticut Bank and Trust Company, National Association is duly organized and validly existing in good standing under the laws of the United States, has the power and authority to execute and deliver, and carry out the transactions contemplated by, the Trust Agreement Amendment, this Agreement, the Second Charter Amendment, the Security Agreement, the Mortgage, the Assignment of Collateral Mortgage and the Assignment of Second Mortgage, and is a "citizen of the United States" within the meaning of Section 2 of the Shipping Act, 1916, as amended, for the purpose of operating the Vessel in the coastwise trade of the United States, and a "trustee" within the meaning of Section 31328 of Chapter 313;

(ii) each of the Trust Agreement Amendment, this Agreement, the Second Charter Amendment, the Security Agreement, the Mortgage, the Assignment of Collateral Mortgage and the Assignment of Second Mortgage has been duly authorized, executed and delivered by the Owner Trustee and constitutes a legal, valid and binding obligation of the Owner Trustee, enforceable against the Owner Trustee in accordance with the terms thereof;

(iii) the execution and delivery by the Owner Trustee of the Trust Agreement Amendment, this Agreement, the Second Charter Amendment, the Security Agreement, the Mortgage, the Assignment of Collateral Mortgage and the Assignment of Second Mortgage and the performance by the Owner Trustee of the Trust Agreement, this Agreement, the Charter and the Security Agreement, the Collateral Mortgage and the Second Mortgage do not contravene the provisions of the articles of association or by-laws of The Connecticut Bank and Trust Company, National Association, or any provision of the laws of the United States or the State of Connecticut or any rule or regulation under the laws of the United States or, to the best of such counsel's knowledge after due inquiry, any rule or regulation of the State of Connecticut governing banking or trust powers presently binding on the Owner Trustee, or, to the best of such counsel's knowledge after due inquiry, violate any judgment, order or decree applicable to The Connecticut Bank and Trust Company, National Association or the Owner Trustee, or result in any violation of, or conflict with, or constitute a default under, or subject the Vessels to any lien, charge or encumbrance of, any indenture, contract, agreement or other

instrument applicable to the Owner Trustee of which such counsel has knowledge other than the Mortgage, the Security Agreement or the Charter;

(iv) no consent, approval, order or authorization of, giving of notice to, or registration with, or taking of any other action in respect of, any governmental authority or agency of the State of Connecticut or of the United States governing banking or trust matters is required or desirable for the execution and delivery of, or the carrying out by the Owner Trustee of any of the transactions contemplated by the Trust Agreement Amendment, this Agreement, the Second Charter Amendment, the Security Agreement, the Mortgage, the Assignment of Collateral Mortgage and the Assignment of Second Mortgage, other than any such consent, approval, order, authorization, registration, notice or action as have been duly obtained, given or taken, specifying the same;

(v) no taxes, fees and other charges imposed by the State of Connecticut or any political subdivision thereof are payable with respect to the execution and delivery by The Connecticut Bank and Trust Company, National Association, or the Owner Trustee, as the case may be, of the Trust Agreement Amendment, this Agreement, the Second Charter Amendment, the Security Agreement, the Mortgage, the Assignment of Collateral Mortgage and the Assignment of Second Mortgage; and

(vi) all filings and recordings (including, without limitation, all filings of financing statements under the Uniform Commercial Code) have been duly effected in the State of Connecticut which are required to perfect the liens of and security interests granted by the Security Agreement or the Charter and to make such liens and security interests valid and enforceable (specifying such filings and recordings), and, except for the filing of continuation statements with respect to such financing statements as may be required to be filed at periodic intervals (stating such requirements), no periodic refiling or periodic recording is presently required to protect and preserve such liens and security interests.

(k) The Participants shall have received an opinion addressed to it of Messrs. Morgan, Lewis & Bockius, special counsel for the Participants, dated the Closing Date and satisfactory to the Participants as to such matters as the Participants and Morgan, Lewis & Bockius shall determine.

All counsel in giving any opinion required hereunder (i) may, as to liens not of record and other factual matters, rely on certificates or other written declarations executed by officers

or other authorized personnel of or on behalf of any corporation to the extent such counsel deem appropriate (which shall be specified), but in giving any opinion as to the citizenship of any corporation (other than the Participants) under Section 2 of the Shipping Act, 1916, as amended, such counsel shall not be entitled to rely on any affidavit or certificate of such citizenship given by such person or corporation on Maritime Administration form MA-899 or other similar forms, but shall be required to conduct an independent examination of such citizenship (relying, however, as to factual matters on certificates or affidavits of such officers); (ii) shall not be required to give any opinion as to matters involving the laws of any jurisdiction in which such counsel are not admitted to practice or as to the effect of any such laws on this Agreement, any of the agreements or documents referred to herein, or any of the transactions contemplated hereby or thereby, except as to matters of United States law, Delaware General Corporation Law and New York law (and, except as otherwise stated herein, as to matters involving such laws such counsel may rely on the opinions of counsel admitted in such jurisdictions named herein, which opinions shall also be addressed to any counsel relying thereon, or other such counsel acceptable to counsel to the Participants); and (iii) may state that (A) such opinion is subject (1) to qualification in respect of the effect of certain laws and judicial decisions upon the enforceability of certain rights and remedies provided in the Charter, the Security Agreement, the Mortgage, the Collateral Mortgage and the Second Mortgage; provided, however, that any opinion subject to such qualification shall further state that none of such laws then in force and none of such decisions will, in the opinion of such counsel, make the rights and remedies provided in the Charter, the Security Agreement, the Mortgage, the Collateral Mortgage or the Second Mortgage, taken as a whole, inadequate for the practical realization of the benefits and the security provided thereby, and (2) to the qualification that the enforceability of the rights and remedies of any party is also subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting generally the enforcement of creditors' rights from time to time in effect, and to general equitable principles, and (B) the opinions concerning the legality, validity and binding effect of any Agreement in respect of any party are based on the assumption that such Agreement constitutes a legal, valid and binding Agreement of the other parties thereto.

(1) All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents incident thereto shall be satisfactory in form and substance to counsel for the Participants, and counsel for the Participants shall have received such documents and evidence as such counsel may request in order to establish the consummation of the

transactions contemplated by this Agreement, the taking of all corporate proceedings in connection therewith and compliance with the conditions set forth in this Section 3.

(m) On or prior to the Closing Date, the Secretary shall have duly authorized, executed and delivered to the Shipowner the Release of Mortgage, the Termination Agreement and a UCC-3 Termination Statement with respect to the Title XI Security Agreement and shall have delivered to the Shipowner the Secretary's Note marked cancelled and the counterparts of the Amended and Restated Bareboat Charter dated as of March 18, 1982 and Amendment No. 1 thereto denoted "Counterpart No. 1."

(n) The Participants shall have received a signed copy of the recommendation of the Secretary authorizing the actions referred to in Section 3(m) hereof.

(o) A UCC-3 Termination Statement with respect to the Title XI Security Agreement shall have been received by the Participants.

(p) The original counterparts of the Amended and Restated Bareboat Charter dated March 18, 1982, Amendment No. 1 thereto and the Second Charter Amendment shall be in the possession of the Loan Participant.

Section 4. Conditions Precedent to the Obligations of the Charterer. The obligation of the Charterer to enter into the Collateral Mortgage, the Second Mortgage and the Second Charter Amendment on the Closing Date pursuant to Section 1 hereof is subject to the fulfillment of the following conditions precedent:

(a) The conditions specified in Sections 3(a) and 3(n) hereof shall have been fulfilled.

(b) The Charterer shall have received signed copies of the opinions of counsel delivered pursuant to Sections 3(h) and 3(j) hereof on the Closing Date, and such opinions shall also be addressed to the Charterer.

(c) The Owner Participant shall have entered into an agreement with Congress Financial Corporation with respect to its interest in certain assets of the Charterer and granting said Corporation certain cure rights in respect of the Charter.

Section 5. Representations, Warranties and Covenants of the Charterer. The Charterer represents, warrants and covenants to each other party hereto that:

(a) the Charterer is a corporation duly organized and validly existing in good standing under the laws of its jurisdiction of incorporation and has the corporate power and authority to carry on its businesses as presently conducted, to own its properties and to charter the Vessels and to enter into and perform its obligations under this Agreement, the Second Charter Amendment, the Termination Agreement, the Collateral Mortgage and the Second Mortgage, and the Charterer has not failed to qualify to do business in any jurisdiction where failure so to qualify would materially and adversely affect its financial condition or its ability to perform its obligations under the aforesaid instruments;

(b) the execution and delivery by the Charterer of this Agreement, the Second Charter Amendment, the Termination Agreement, the Collateral Mortgage and the Second Mortgage and the performance by the Charterer of this Agreement, the Second Charter Amendment, the Charter, the Termination Agreement, the Collateral Mortgage and the Second Mortgage have been duly authorized by all necessary corporate action, do not require any stockholder approval, under present law do not and will not contravene any law or any governmental rule, regulation or order, or any judgment, order or decree applicable to the Charterer, and do not and will not contravene the provisions of the certificate of incorporation or by-laws of the Charterer or contravene the provisions of, or constitute a default under, or subject the Vessels or the Collateral Vessels to any lien (other than the liens of the Charter, the Security Agreement, the Mortgage, the Collateral Mortgage and the Second Mortgage, respectively) charge or encumbrance of, any indenture, mortgage, contract or other Agreement or instrument to which the Charterer is a party or by which the Charterer is bound;

(c) the execution and delivery by the Charterer of this Agreement, the Second Charter Amendment, the Termination Agreement, the Collateral Mortgage and the Second Mortgage and the performance by the Charterer of this Agreement, the Second Charter Amendment, the Charter, the Collateral Mortgage and the Second Mortgage do not require the consent or approval or authorization or order of, the giving of notice to, or the registration with, or the taking of any other action in respect of, any Federal, state or governmental authority or agency, foreign or domestic, other than such as have been duly obtained, given or taken;

(d) all governmental filings and approvals necessary for the charter and operation of the Vessels have been made or obtained and the Vessels comply with all applicable laws, ordinances, rules and regulations of the United States; and all governmental filings and approvals necessary for the operation of

the Collateral Vessels have been made or obtained and the Collateral Vessels comply with all applicable laws, ordinances, rules and regulations of the United States;

(e) this Agreement, the Second Charter Amendment, the Termination Agreement, the Collateral Mortgage and the Second Mortgage have been duly authorized, executed and delivered by the Charterer and this Agreement, the Second Charter Amendment, the Charter, the Termination Agreement, the Collateral Mortgage and the Second Mortgage constitute legal, valid and binding obligations of the Charterer, enforceable against the Charterer in accordance with their respective terms;

(f) the consolidated balance sheet of the Charterer and its consolidated subsidiaries as of September 30, 1988 and the related statements of income and changes in financial position for the year then ended ("Consolidated Financial Statements"), reviewed by Cooper & Lybrands, independent accountants, copies of which have been delivered by the Charterer to the Participants, have been prepared in accordance with generally accepted accounting principles consistently applied during the period and fairly present the financial position of the Charterer and its consolidated subsidiaries at the date thereof and the results of their operations and changes in financial position for the period covered thereby; and there has been no material adverse change in the consolidated financial condition, business or operations of the Charterer and its consolidated subsidiaries since September 30, 1988, considered as a whole;

(g) there are no actions, suits or proceedings pending, or to the knowledge of the Charterer threatened, before any court, administrative agency, arbitrator or governmental body which, individually or in the aggregate, would impair the ability of the Charterer to make payments of Hire or materially impair the ability of the Charterer to perform its other obligations under this Agreement, the Charter, the Termination Agreement, the Collateral Mortgage or the Second Mortgage;

(h) on the Closing Date, the Vessels and the Collateral Vessels will be free and clear of all liens, charges or other encumbrances whatsoever which result from acts of or claims against the Charterer or which secure obligations of the Charterer, other than the Mortgage, the Charter, the Security Agreement and liens known to the Charterer after due inquiry which are listed on Schedule 1 hereto (in the case of the Vessels) or the Collateral Mortgage and the Second Mortgage and liens known to the Charterer after due inquiry which are listed on Schedule 1 hereto (in the case of the Collateral Vessels);

(i) on the Closing Date, the Vessels will be duly documented in the name of the Owner Trustee under the laws and regulations and the flag of the United States and no other filing, recording, documentation or other action will be necessary or advisable in order to establish and perfect the Owner Trustee's title to and interest in the Vessels as against the Charterer or any third parties in any applicable jurisdiction within the United States; on the Closing Date, the Collateral Vessels will be duly documented in the name of the Charterer under the laws and regulations and the flag of the United States and no other filing, recording, documentation or other action will be necessary or advisable in order to establish and perfect the Charterer's title to and interest in the Collateral Vessels as against any third parties in any applicable jurisdiction within the United States; on the Closing Date, each of the Release of Mortgage and the Mortgage will have been duly recorded in the Office of the Officer in Charge, Vessel Documentation Section (or the Marine Safety Office), United States Coast Guard, at the Port of New Orleans, Louisiana (which office is the only place in which such recording is necessary), and the Mortgage will constitute a first "preferred mortgage" on the Vessels in favor of the Loan Participant under Chapter 313, having the effect and with the priority provided in Chapter 313; on the Closing Date the Collateral Mortgage, the Assignment of Collateral Mortgage, the Second Mortgage and the Assignment of Second Mortgage will have been duly recorded in the office of the Officer in Charge, Vessel Documentation Section (or the Marine Safety Office), United States Coast Guard, at the Port of New Orleans, Louisiana (which office is the only place in which such recording is necessary), and the Collateral Mortgage will constitute a first "preferred mortgage" on the Collateral Vessels in favor of the Loan Participant under Chapter 313, having the effect and with the priority provided in Chapter 313, and the Second Mortgage will constitute a "preferred mortgage" subordinate to the Collateral Mortgage on the Collateral Vessels, in favor of the Loan Participant; and no other recording or periodic re-recording or filing or periodic re-filing of the Mortgage, the Collateral Mortgage and the Second Mortgage, or any other act with respect to (except as specified in paragraph (j) below), the Mortgage, the Collateral Mortgage and the Second Mortgage is necessary under existing law to continue the lien of the Mortgage, the Collateral Mortgage and the Second Mortgage in favor of the Loan Participant;

(j) on the Closing Date, all filings and recordings (including, without limitation, the filing of the Second Charter Amendment and the Security Agreement with the ICC in accordance with 49 U.S.C. § 11303 and all filings of financing statements under the Uniform Commercial Code) will have been duly effected in each jurisdiction in which such filings and record-

ings are required to perfect the liens of and security interests granted by the Mortgage, the Security Agreement, the Collateral Mortgage and the Second Mortgage and to make such liens and security interests valid and enforceable and to preserve and protect the Owner Trustee's legal title to and interest in each Vessel and the Charter, and no periodic refiling or periodic re-recording is presently required to protect and preserve such liens and security interests and legal title other than the filing of continuation statements pursuant to the Uniform Commercial Code within six months prior to the expiration of each five-year period following the respective dates of filing of the financing statements filed pursuant hereto;

(k) The Vessels and the Collateral Vessels are intended for "a use related to interstate commerce" within the meaning of 49 U.S.C. § 11303;

(l) the Charterer is a "citizen of the United States" within the meaning of Section 2 of the Shipping Act, 1916, as amended, for the purpose of operating the Vessels and the Collateral Vessels, in the coastwise trade of the United States;

(m) the Charterer and its subsidiaries have filed all tax returns and declarations of estimated tax which, to the knowledge of the Charterer, are required to be filed and have paid all taxes which have become due pursuant to such returns and declarations;

(n) the Charterer and its subsidiaries are not in violation of any applicable provision of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the regulations and published interpretations thereunder, which violation might materially and adversely affect the assets or the financial condition, business or operations of the Charterer and its subsidiaries taken as a whole, and neither the Charterer nor any subsidiary has incurred any liability to the Pension Benefit Guaranty Corporation under Section 4062 of ERISA;

(o) assuming the correctness of the representations of the Loan Participant in Section 8 hereof, the transactions contemplated hereby will not involve any "prohibited transaction" within the meaning of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code");

(p) neither the representations of the Charterer set forth in this Agreement, nor the financial statements referred to in Section 5(f) hereof contains any untrue statement of a material fact and, taken collectively, the same do not omit to state a material fact necessary in order to make the statements contained herein or therein not misleading; and

(q) the chief executive office and principal place of business of the Charter, and the place where its records concerning the Vessels and the Collateral Vessels and all of its interest in, to and under all documents relating to said Vessels and Collateral Vessels to which it is a party are kept, is in New Orleans, Louisiana.

Section 6. Representations, Warranties and Covenants of The Connecticut Bank and Trust Company, National Association, and of the Owner Trustee.

(a) The Connecticut Bank and Trust Company, National Association, in its individual capacity represents and warrants to each party hereto that:

(i) The Connecticut Bank and Trust Company, National Association, is duly organized and validly existing in good standing under the laws of the United States, has the power and authority to execute and deliver the Trust Agreement Amendment, this Agreement, the Second Charter Amendment, the Security Agreement, the Mortgage, the Assignment of Collateral Mortgage and the Assignment of the Second Mortgage, and is a "citizen of the United States" within the meaning of Section 2 of the Shipping Act, 1916, as amended, for the purpose of operating the Vessels in the coastwise trade of the United States and is a "trustee" within the meaning of Section 31328 of Chapter 313;

(ii) each of the Trust Agreement Amendment, this Agreement, the Second Charter Amendment, the Security Agreement, the Mortgage, the Assignment of Collateral Mortgage and the Assignment of the Second Mortgage has been duly authorized by the Owner Trustee and has been duly executed and delivered by the Owner Trustee;

(iii) the execution and delivery by the Owner Trustee of the Trust Agreement Amendment, this Agreement, and the Second Charter Amendment, the Security Agreement, the Mortgage, the Assignment of Collateral Mortgage and the Assignment of Second Mortgage and the performance by the Owner Trustee of the Trust Agreement, this Agreement, the Charter, the Amended Security Agreement, the Amended Mortgage, the Assignment of the Collateral Mortgage and the Assignment of the Second Mortgage, do not and will not contravene any law or governmental rule or regulation governing banking or trust powers applicable to The Connecticut Bank and Trust Company, National Association or the Owner Trustee, or contravene the provisions of the articles of association or by-laws of The Connecticut Bank and Trust Company, National Association, or violate any

judgment, order or decree applicable to The Connecticut Bank and Trust Company, National Association or the Owner Trustee or result in any violation of, or conflict with, or constitute a default under, or subject the Vessels or the Collateral Vessels to any lien (other than the lien of the Mortgage, the Collateral Mortgage or the Second Mortgage, respectively), charge or encumbrance of, any indenture, contract, Agreement or other instrument applicable to The Connecticut Bank and Trust Company, National Association, or the Owner Trustee;

(iv) the Vessels and the Collateral Vessels are free and clear of all Shipowner's Liens; and

(b) The Owner Trustee represents and warrants to each other party hereto that:

(i) each of the Trust Agreement Amendment, this Agreement, the Second Charter Amendment, the Amended Security Agreement, the Amended Mortgage, the Assignment of Collateral Mortgage and the Assignment of Second Mortgage has been duly authorized by the Owner Trustee, and has been duly executed and delivered by the Owner Trustee, and each of the Trust Agreement, this Agreement, the Second Charter Amendment, the Amended Security Agreement, the Amended Mortgage, the Assignment of Collateral Mortgage and the Assignment of Second Mortgage, constitutes a legal, valid and binding obligation of the Owner Trustee, enforceable against the Owner Trustee in accordance with the terms thereof;

(ii) the chief executive office and principal place of business of the Owner Trustee, and the place where its records concerning the Vessels and all of its interest in, to and under all documents relating to the Trust Estate to which it is a party are kept, is in Hartford, Connecticut; and

(iii) as of the Closing Date, the Owner Trustee will not have executed and delivered any supplement, modification or amendment to the Trust Agreement or the Charter (other than Amendment No. 1 to the Trust Agreement the Trust Agreement Amendment, Amendment No. 1 to the Charter and the Second Charter Amendment) nor executed or filed any UCC filings covering the Trust Estate since March 18, 1982.

Section 7. Representations and Warranties of the Owner Participant. The Owner Participant represents and warrants to each other party hereto that:

(i) the Owner Participant is a corporation duly organized and validly existing in good standing under the laws of the State of Massachusetts, has the corporate power to enter into, and carry out the transactions contemplated by this Agreement and is a "citizen of the United States" within the meaning of Section 2 of the Shipping Act, 1916, as amended, for the purpose of operating the Vessels in the coastwise trade of the United States;

(ii) the Owner Participant has duly authorized, executed and delivered this Agreement and the Trust Agreement Amendment and each of this Agreement and the Trust Agreement Amendment constitutes a legal, valid and binding obligation of the Owner Participant enforceable against the Owner Participant in accordance with the terms thereof;

(iii) neither the execution and delivery by the Owner Participant of this Agreement and the Trust Agreement Amendment nor the consummation of any of the transactions by the Owner Participant contemplated hereby or thereby, (1) require any consent, approval or authorization of, or giving of notice to, or registration with, or taking of any other action in respect of, any governmental authority or agency of the United States or of the State of Massachusetts (or any governmental subdivision thereof), (2) contravene any provision of the Owner Participant's certificate of incorporation or by-laws or of any indenture, mortgage, contract or other Agreement to which it is a party or by which it is bound or (3) violate any law, governmental rule or regulation of the State of Massachusetts or the United States (or any governmental subdivision thereof) or any order or judgment binding on it; and

(iv) there are no actions, suits or proceedings pending or, to the knowledge of the Owner Participant, threatened against the Owner Participant or any of its properties before any court, administrative agency, arbitrator or governmental body which might, if determined adversely to the Owner Participant, adversely effect its ability to perform its obligations under this Agreement or the Trust Agreement;

Section 8. Representations, Warranties and Covenants of the Loan Participant The Loan Participant represents and warrants that it is not acquiring the Obligations with the assets of any separate account in which any employee benefit plan has any interest (the terms "separate account" and "employee benefit plan" having the respective meanings set forth in ERISA).

Section 9. Indemnification by Charterer.

(a) Section 12 of the Participation Agreement is hereby incorporated herein by reference as if said Section 12 were actually restated herein except that references to the Lender shall be deemed to be references to the Loan Participant, references to the Participation Agreement shall be deemed to include this Agreement and the provisions of Section 12(a)(2) shall be subject to the limitations set forth in the letter Agreement dated February 7, 1989, as amended by a letter agreement dated February 15, 1989, each between the Owner Participant and the Vectura Group, Inc.

(b) If, as a result of the refinancing of the Title XI Obligations, the related restructuring of the Charter or any event or circumstance occurring or arising in connection with such refinancing or restructuring, (A) the Owner Participant shall lose, or shall not have, or shall lose the right to claim, or shall suffer a disallowance of or shall be required to recapture all or any portion of the Depreciation Deduction (as defined in Section 11(a) of the Participation Agreement), (B) for federal income tax purposes any item of income, loss or deduction with respect to any Vessel is treated as derived from, or allocable to, sources outside the United States (whether or not any foreign income taxes imposed as a result thereof may be credited against Federal, state or local income taxes of the Owner Participant), (C) there shall be included in the gross income of the Owner Participant for Federal, state or local income tax purposes any amount, at any time, other than payments of Basic Charter Hire, Stipulated Loss Value, Termination Value and amounts required to be paid pursuant to Sections 8(c), 14, 17 or 20 of the Charter, in each case at the respective times assumed by the Owner Participant when it acquired and chartered the Vessels as contemplated by the Participation Agreement, or (D) the Owner Participant shall suffer any other adverse federal, state, local or foreign tax consequences, then (W) any such loss, disallowance, recapture, treatment, inclusion or adverse tax consequence shall be treated as a Tax Loss under Section 11 of the Participation Agreement (such section being hereinafter referred to as the "Tax Indemnity"), (X) such refinancing, restructuring, event or circumstance shall not constitute events described in clause (iv) or (vi) of subsection (c) of the Tax Indemnity, (Y) subject to clause (Z) below, the Basic Charter Hire shall be increased (or, at the Charterer's election, a lump sum shall be paid) in connection with such Tax Loss as provided in the Tax Indemnity, and (Z) the contest provisions contained in subsection (d) of the Tax Indemnity shall be applicable with respect to such Tax Loss.

Section 10. Other Documents, Etc.

(a) The Charterer hereby consents in all respects to the execution and delivery of the Security Agreement and to the provisions thereof relating to payments of hire to the Loan Participant, to the Assignment of Collateral Mortgage and to the Assignment of Second Mortgage and to all of the terms thereof, and the Charterer acknowledges receipt of an executed counterpart of the Security Agreement, the Assignment of Collateral Mortgage and the Assignment of Second Mortgage.

(b) The Owner Trustee and the Loan Participant hereby agree, for the benefit of the Charterer, that so long as no event which constitutes an Event of Default (as defined in Section 19 of the Charter) shall have occurred and be continuing under the Charter, anything in the Mortgage, the Collateral Mortgage or the Second Mortgage to the contrary notwithstanding, the rights of the Charterer to possession of the Vessels and the other rights of the Charterer under the Charter shall not be disturbed or otherwise affected by the Loan Participant or any party claiming by or through the Loan Participant whether or not an Event of Default under the Mortgage (which is not an Event of Default under the Charter) shall have occurred.

Section 11. Liabilities of the Participants and the Owner Trustee. Neither any Participant nor the Owner Trustee (except as set forth in agreements to which it is a party) shall have any obligation or duty to the Charterer, to any other Participant or to any other person with respect to the transactions contemplated hereby except those obligations or duties specifically set forth in this Agreement and, with regard to the Owner Participant and the Owner Trustee, in the Trust Agreement and the Participation Agreement. Without limitation of the generality of the foregoing, under no circumstances whatsoever shall any Participant as such be liable to the Charterer, nor shall any Participant be liable to any other Participant or to any other person, for any action or inaction on the part of the Owner Trustee in connection with the Trust Agreement, the Participation Agreement, this Agreement, or the administration of the Trust Estate (as defined in the Trust Agreement) or otherwise, whether or not such action or inaction is caused by the wilful misconduct or gross negligence of the Owner Trustee or the Indenture Trustee. With respect to the duties and obligations specifically set forth in this Agreement, the Participation Agreement and the Trust Agreement, no recourse shall be had against the Owner Trustee (or any successor thereto) in its individual capacity or the Owner Participant with respect to such duties and obligations or for any amounts payable hereunder or under the Trust Agreement, the Charter, the Mortgage, the Collateral Mortgage, the Second Mortgage or any other document, Agreement or instrument relating to the transactions contemplated by any of the aforementioned documents, or for any claim based hereon or

thereon or otherwise in respect hereof or thereof; provided, however, that nothing herein shall prevent recourse to and the enforcement against the Owner Participant for performance of its Agreement and covenants set forth herein or against the Owner Trustee in its individual capacity for performance of any Agreement made in its individual capacity and set forth herein, in the Charter, in the Participation Agreement or in the Trust Agreement or against either the Owner Trustee in its individual capacity or the Owner Participant for its own gross negligence or wilful misconduct or for injuries resulting from the inaccuracy of any representation or warranty made by the Owner Trustee in its individual capacity or the Owner Participant herein.

Section 12. Brokerage Commissions. Each party to this Agreement represents and warrants to each other party that it has not entered into any Agreement with any other Person giving rise to, and is not responsible for, any claim by any other Person for brokering or other commissions in respect of the transactions contemplated by this Agreement for which any other party is responsible, except that the Charterer has retained Boston Leasing Group Co. as its financial advisor and the Charterer is solely responsible for the fees of Boston Leasing Group Co.

Section 13. Notices. For the purpose of this Agreement, the term "Notice" shall mean written or telegraphic notice, or notice by telephone promptly confirmed in writing, the term "Business Days" shall mean calendar days other than Saturdays, Sundays or public holidays under the laws of the State of Louisiana or Connecticut or in the Commonwealth of Massachusetts in effect at the time of giving of any Notice, and the term "Business Day" shall mean any such calendar day. Notice shall be sent to the Owner Trustee at One Constitution Plaza, Hartford, Connecticut 06115, Attention: Corporate Trust Department CTHM A06K; to the Loan Participant at 28 State Street, P.O. Box 2332, Boston, Massachusetts 02109, Attention: Senior Vice President, Administration; to the Owner Participant at 28 State Street, P.O. Box 2332, Boston, Massachusetts 02109, Attention: Senior Vice President, Administration; and to the Charterer at 1515 Poydras, Suite 1500, New Orleans, Louisiana 70152, Attention: President. Any Notice shall be effective upon the receipt thereof.

Section 14. Successor Trustees; Co-Trustees. If a successor trustee is appointed in accordance with the terms of the Trust Agreement, such successor trustee shall, without further act, succeed to all the rights, duties, immunities and obligations of the entity then serving as Owner Trustee hereunder and under each other document and the predecessor trustee shall be released from all further duties and obligations hereunder and thereunder, all without the necessity of any consent or approval by the parties

hereto (except as provided in the Trust Agreement) and without in any way altering the terms of this Agreement or any other document or the obligations of any party hereto or thereto. Each party hereto or thereto consents to the provisions of the Trust Agreement relating to the appointment from time to time of one or more co-trustees or separate trustees to exercise or hold any or all of the rights, power and title of the Owner Trustee, hereunder or thereunder, without the necessity of any consent or approval by any of the parties hereto (except as provided in the Trust Agreement) and without in any way altering the terms of this Agreement or any other document or the obligations of any party hereto or thereto.

Section 15. Waivers. Conditions to the obligations, and rights inuring to the benefit, of the Participants may be waived by an instrument signed by the Participants.

Section 16. Miscellaneous. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought. Subject to the provisions of Section 11 hereof, the terms of this Agreement shall be binding upon, and inure to the benefit of, the Charterer, each Participant, and the Owner Trustee and their respective successors and assigns. This Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of New York including all matters of construction, validity and performance.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

NATIONAL MARINE, INC.

By: _____
Title:

**NEW ENGLAND MERCHANTS LEASING
CORPORATION B-7**

By: _____
Title: _____

NEMLC LEASING CORPORATION

By: _____
Title: _____

**THE CONNECTICUT BANK AND TRUST
COMPANY, NATIONAL ASSOCIATION,
not in its individual capacity,
except as otherwise expressly
provided herein, but solely as
Owner Trustee**

By: _____
Title: _____

SCHEDULE 1

**EXHIBIT 8 to
SECURITY AGREEMENT**

**Assignment of Collateral
Mortgage**

**ASSIGNMENT OF FIRST PREFERRED FLEET MORTGAGE
(NM-1)**

KNOW ALL MEN BY THESE PRESENTS, that THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity but solely as trustee (in such capacity, herein called the "Assignor") under the Trust Agreement dated as of April 1, 1981, as amended, between it and the Owner Participant named therein, for good and valuable consideration, receipt whereof is hereby acknowledged, has assigned, transferred and set over, and by these presents does assign, transfer and set over, unto NEMLC LEASING CORPORATION, a Massachusetts corporation (herein called the "Assignee"), without recourse, warranty, representation or other liability of any kind, except only that the Assignor represents that it has duly authorized and executed this Assignment, all of the Assignor's estate, rights and interests in, to and under that certain First Preferred Fleet Mortgage (NM-1) dated and effective as of the date hereof (herein called the "Mortgage") from National Marine, Inc., a Delaware corporation (herein called the "Mortgagor"), in favor of the Assignor, said Mortgage having been filed for recordation in the Office of the Officer in Charge, Marine Inspection, United States Coast Guard, New Orleans, Louisiana, at _____ a.m. on the date of this Assignment, and recorded in Book No. _____, Instrument No. _____, covering the whole of each of the vessels identified in Schedule 1 attached hereto and hereby incorporated herein, in each case together with all of her engines, boilers, machinery, masts, spars, boats, anchors, cables, chains, rigging, tackle, fittings, tools, pumps, pumping equipment, gear, apparel, furniture, equipment, spare parts and all other appurtenances thereto appertaining or belonging to said vessel, whether now owned or hereafter acquired, whether on board or not, and whether installed by the Mortgagor or others, and also any and all additions, improvements, renewals and replacements at any time made in or to said vessel or any part thereof or in or to her equipment and appurtenances, aforesaid.

The full name and address of the Assignor is:

The Connecticut Bank and Trust Company,
National Association,
not in its individual capacity but
solely as trustee under a Trust
Agreement dated as of April 1, 1981, as
amended, with New England Merchants
Leasing Corporation B-7 as beneficiary
One Constitution Plaza
Hartford, Connecticut 06115
Attention: Corporate Trust Department CTHMA06K

The full name and address of the Assignee is:

NEMLC Leasing Corporation
28 State Street
P.O. Box 2332
Boston, Massachusetts 02109
Attention: Senior Vice President,
Administrator

The Assignor is the sole mortgagee under the Mortgage, and is hereby assigning all of its estate, rights and interests under the Mortgage to the Assignee.

This Assignment is being executed and delivered to secure an indebtedness of the Assignor in favor of the Assignee in the principal amount of Three Million Two Hundred Sixteen Thousand Dollars (\$3,216,000), evidenced by the Assignor's 13.05% Secured Notes due December 31, 2000. Upon payment in full of such indebtedness together with all interest thereon, and the discharge of that certain First Preferred Fleet Mortgage (NM-1) dated the date hereof (the "Assignee Mortgage") from the Assignor in favor of the Assignee which also secures such indebtedness (said Assignee Mortgage having been filed for recordation in the Office of the Officer in Charge, Marine Inspection, United States Coast Guard, New Orleans, Louisiana, at _____ a.m. on the date of this Assignment, and recorded in Book No. _____, Instrument No. _____, the Assignee shall execute and deliver an instrument re-assigning to the Assignor all of the estate, rights and interests hereby assigned to the Assignee, which instrument shall be in proper form for filing and recording under Chapter 313 of Title 46 of the United States Code, as enacted pursuant to Public Law 100-710, or any successor statute. The Assignee hereby agrees for the benefit of the Mortgagor and the Assignor that it shall be bound by the provisions of the Mortgage and shall perform and observe all of the obligations of the Assignor under the Mortgage that cannot be performed or observed by the Assignor by reason of this Assignment at all times until the Assignee delivers an instrument of re-assignment in accordance with the preceding sentence.

IN WITNESS WHEREOF, the Assignor and the Assignee have executed this Assignment of First Preferred Fleet Mortgage (NM-1) as of the 24th day of February, 1989.

THE CONNECTICUT BANK AND TRUST
COMPANY, NATIONAL ASSOCIATION,
not in its individual
capacity but solely as
trustee under a Trust
Agreement dated as of April
1, 1981, as amended,
with New England Merchants
Leasing Corporation B-7 as
beneficiary

By: _____
Title:

NEMLC LEASING CORPORATION

By: _____
Title:

**EXHIBIT 9 to
SECURITY AGREEMENT**

**Assignment of Second
Mortgage**

**ASSIGNMENT OF SECOND PREFERRED FLEET MORTGAGE
(NM-1)**

KNOW ALL MEN BY THESE PRESENTS, that THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association, not in its individual capacity but solely as trustee (in such capacity, herein called the "Assignor") under the Trust Agreement dated as of April 1, 1981, as amended, between it and the Owner Participant named therein, for good and valuable consideration, receipt whereof is hereby acknowledged, has assigned, transferred and set over, and by these presents does assign, transfer and set over, unto NEMLC LEASING CORPORATION, a Massachusetts corporation (herein called the "Assignee"), without recourse, warranty, representation or other liability of any kind, except only that the Assignor represents that it has duly authorized and executed this Assignment, all of the Assignor's estate, rights and interests in, to and under that certain Second Preferred Fleet Mortgage (NM-1) dated and effective as of the date hereof (herein called the "Mortgage") from National Marine, Inc., a Delaware corporation (herein called the "Mortgagor"), in favor of the Assignor, said Mortgage having been filed for recordation in the Office of the Officer in Charge, Marine Inspection, United States Coast Guard, New Orleans, Louisiana, at _____ a.m. on the date of this Assignment, and recorded in Book No. _____, Instrument No. _____, covering the whole of each of the vessels identified in Schedule 1 attached hereto and hereby incorporated herein, in each case together with all of her engines, boilers, machinery, masts, spars, boats, anchors, cables, chains, rigging, tackle, fittings, tools, pumps, pumping equipment, gear, apparel, furniture, equipment, spare parts and all other appurtenances thereto appertaining or belonging to said vessel, whether now owned or hereafter acquired, whether on board or not, and whether installed by the Mortgagor or others, and also any and all additions, improvements, renewals and replacements at any time made in or to said vessel or any part thereof or in or to her equipment and appurtenances, aforesaid.

The full name and address of the Assignor is:

The Connecticut Bank and Trust Company,
National Association,
not in its individual capacity but
solely as trustee under a Trust
Agreement dated as of April 1, 1981, as
amended, with New England Merchants
Leasing Corporation B-7 as beneficiary
One Constitution Plaza
Hartford, Connecticut 06115
Attention: Corporate Trust Department CTHMA06K

The full name and address of the Assignee is:

NEMLC Leasing Corporation
28 State Street
P.O. Box 2332
Boston, Massachusetts 02109
Attention: Senior Vice President,
Administration

The Assignor is the sole mortgagee under the Mortgage, and is hereby assigning all of its estate, rights and interests under the Mortgage to the Assignee.

This Assignment is being executed and delivered to secure an indebtedness of the Assignor in favor of the Assignee in the principal amount of Three Million Two Hundred Sixteen Thousand Dollars (\$3,216,000), evidenced by the Assignor's 13.05% Secured Notes due December 31, 2000. Upon payment in full of such indebtedness together with all interest thereon, and the discharge of that certain First Preferred Fleet Mortgage (NM-1) dated the date hereof (the "Assignee Mortgage") from the Assignor in favor of the Assignee which also secures such indebtedness (said Assignee Mortgage having been filed for recordation in the Office of the Officer in Charge, Marine Inspection, United States Coast Guard, New Orleans, Louisiana, at _____ a.m. on the date of this Assignment, and recorded in Book No. _____, Instrument No. _____, the Assignee shall execute and deliver an instrument re-assigning to the Assignor all of the estate, rights and interests hereby assigned to the Assignee, which instrument shall be in proper form for filing and recording under Chapter 313 of Title 46 of the United States Code, as enacted pursuant to Public Law 100-710, or any successor statute. The Assignee hereby agrees for the benefit of the Mortgagor and the Assignor that it shall be bound by the provisions of the Mortgage and shall perform and observe all of the obligations of the Assignor under the Mortgage that cannot be performed or observed by the Assignor by reason of this Assignment at all times until the Assignee delivers an instrument of re-assignment in accordance with the preceding sentence.

IN WITNESS WHEREOF, the Assignor and the Assignee have executed this Assignment of Second Preferred Fleet Mortgage (NM-1) as of the 24th day of February, 1989.

THE CONNECTICUT BANK AND TRUST COMPANY, NATIONAL ASSOCIATION, not in its individual capacity but solely as trustee under a Trust Agreement dated as of April 1, 1981, as amended, with New England Merchants Leasing Corporation B-7 as beneficiary

By: _____
Title:

NEMLC LEASING CORPORATION

By: _____
Title: