

RECORDING NO. W 64

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December 27 2001

Via Express Mail

Vernon A. Williams
Secretary, Surface Transportation Board
1925 K Street N.W.
Washington, D.C. 20423

Re: VICKI M. McALLISTER Transaction

Dear Mr. Secretary:

I am a member of the firm of Gilmartin, Poster & Shafto, attorneys representing Citicapital Commercial Leasing Corporation in connection with a transaction involving the U.S. flag coastwise tug vessel, VICKI M. McALLISTER, Official Number 1112731.

I have enclosed an original and one counterpart of each of the documents described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

These documents are:

- (a) a Demise Charter ("Demise Charter") dated as of December 27, 2001, a primary document, between Citicapital Commercial Leasing Corporation as Shipowner, and McAllister Towing and Transportation Company, Inc., as Charterer, of the U.S. flag towing vessel named VICKI M. McALLISTER, Official Number 1112731; and
- (b) Bill of Sale ("Bill of Sale") dated as of December 27, 2001, a secondary document, executed by McAllister Towing and Transportation Company, Inc., as Seller, in favor of Citicapital Commercial Leasing, as Transferee, in respect of the U.S. flag towing vessel named VICKI M. McALLISTER, Official Number 1112731.

The names and addresses of the parties to the documents are as follows:

Shipowner under the Demise Charter and Transferee under the Bill of Sale

CITICAPITAL COMMERCIAL LEASING CORPORATION
(formerly known as Associates Leasing, Inc.)
250 East Carpenter Freeway
Irving, Texas 75002

Attention: Robert Joven, Esq.
Associate General Counsel

Charterer under the Demise Charter and Seller in respect of the Bill of Sale

McALLISTER TOWING AND TRANSPORTATION COMPANY, INC.
17 Battery Place
New York, New York 10004

Attention: Brian McAllister, President

A description of the equipment covered by the documents follows:

U.S. flag towing vessel named VICKI M. McALLISTER,
Builder's Hull No. 787, Official No. 1112731.

A fee of \$56.00 is enclosed. Please return the originals and any copies not needed by the Board for recordation to the undersigned at the address given in our letterhead.

A short summary of the documents to appear in the index follows:

With respect to the Demise Charter

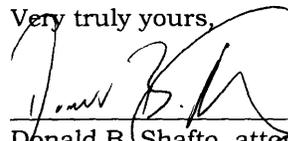
Demise Charter dated as of December 27, 2001 between Citicapital Commercial Leasing Corporation, Shipowner, 250 East Carpenter Freeway, Irving, Texas 75002 and McAllister Towing and Transportation Company, Inc., Charterer, 17 Battery Place, New York, New York, 10004, in respect of the U.S. flag towing vessel named VICKI M. McALLISTER, Official No. 1112731.

With respect to the Bill of Sale

Bill of Sale dated as of December 27, 2001 as executed by McAllister Towing and Transportation Company, 17 Battery Place, New York, New York 10004, in favor of Citicapital Commercial Leasing Corporation, and covering the U.S. flag towing vessel named VICKI M. McALLISTER, Official No. 1112731.

Please sign and return to us the extra copy of this letter provided herewith for that purpose using the enclosed pre-addressed, postage paid envelope. Please indicate on that extra copy relevant recording information.

Very truly yours,

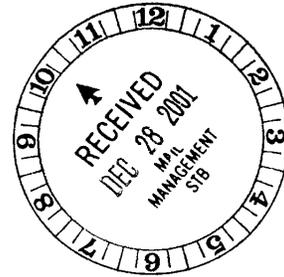


Donald B. Shafto, attorney for
and representative in fact of
Shipowner

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DEMISE CHARTER

between

CITICAPITAL COMMERCIAL LEASING CORPORATION
(formerly known as Associates Leasing, Inc.),

Shipowner,

and

McALLISTER TOWING AND TRANSPORTATION COMPANY, INC.,

Charterer

Dated as of December 27, 2001

of the United States Flag Towing Vessel named

VICKI M. McALLISTER

—
(Official No. 1112731)

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Schedule A – Schedule of Definitions

Schedule B – Stipulated Loss Values

Schedule C – Form of Insurances Assignment

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Schedule E-1 – Form of Certificate of Delivery and Acceptance

Schedule E-2 – Form of Demise Charter Certificate of Delivery and Acceptance

DEMISE CHARTER

DEMISE CHARTER dated as of December 27, 2001 between Citicapital Commercial Leasing Corporation (formerly known as Associates Leasing, Inc.) ("Shipowner"), an Indiana corporation, and McAllister Towing and Transportation Company, Inc. ("Charterer"), a Delaware corporation.

WITNESSETH:

WHEREAS, commencing on the first day of the Term, Shipowner wishes to demise charter the Vessel to Charterer and Charterer wishes to demise charter the Vessel from Shipowner, in each case subject to and on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, commencing on the first day of the Term, Shipowner agrees to let and demise and Charterer agrees to hire and demise charter the Vessel, subject to and on the terms and conditions hereinafter set forth.

ARTICLE 1

Definitions

The capitalized terms used herein which are defined in, or by reference to, Schedule A attached hereto and made a part hereof, shall have the meanings specified in said Schedule A unless the context otherwise requires.

ARTICLE 2

Delivery and Acceptance of the Vessel

Notwithstanding any other provision of this Demise Charter, concurrently with the acquisition of the Vessel by Shipowner from Charterer under the Investment Agreement pursuant to the Bill of Sale and related documents and the Vessel's redocumentation under United States Flag with coastwise and registry endorsements in the name of Shipowner with the USCG, subject only to Shipowner having on such day the legal ability to deliver possession of the Vessel free and clear of all Liens (other than Permitted Liens), Shipowner shall be deemed to have tendered, and Charterer shall be deemed to have accepted, at such time on such date (the "Delivery Date") delivery of the Vessel under this Demise Charter "AS IS, WHERE IS" in whatever condition she may be, AND IT IS AGREED THAT SHIOWNER MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO TITLE

TO, AS TO THE DESIGN, CONDITION, MERCHANTABILITY OR SEAWORTHINESS OF, AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN, OR AS TO THE CONSUMABLE STORES ON BOARD, THE VESSEL, OR AS TO THE FITNESS OF THE VESSEL FOR ANY PARTICULAR PURPOSE OR ANY PARTICULAR TRADE, OR ANY OTHER WARRANTY OR REPRESENTATION WHATSOEVER (except Shipowner represents and warrants only that at all times during the Charter Period it will possess the title to the Vessel transferred to it by Charterer on the Delivery Date free and clear of all Shipowner's Liens other than the Permitted Lien constituted by this Demise Charter and the Liens permitted by Article 14(a) of this Demise Charter), it being agreed that all such risks (except for Liens incurred by Shipowner) arising prior to or during the Charter Period, as between Shipowner and Charterer, are to be borne by Charterer. Charterer's acceptance of the Vessel under this Demise Charter (immediately following the delivery and acceptance of the Vessel by Shipowner from Charterer under the Investment Agreement), as provided in this Article 2(a), shall confirm and be conclusive evidence, as between Shipowner and Charterer, that the Vessel has been accepted by Charterer and is in compliance with all requirements of this Demise Charter, and Charterer will not assert any claim of any nature whatsoever against Shipowner or the Vessel (except as to Shipowner's Liens) based on any of the foregoing matters in this Article 2.

ARTICLE 3

Use and Operation of the Vessel

(a) Charterer shall have full use of the Vessel and may employ the Vessel (A) in tugboat operations conducted in the United States or its possessions, including intra coastal and inland towing and (B) trading between safe ports and safe berths within a trading range consisting of U.S. East and Gulf coasts, Gulf of Mexico/Caribbean (excluding Cuba and its territorial waters), Mexico/Central America, West Coast U.S. and South America and Canada in any lawful trade and carrying, towing or moving such lawful cargoes and/or vessels for which the Vessel is suitable, subject to Institute Warranties and Clauses, provided, however, that (i) the Vessel shall not carry any Excluded Cargoes (but may provide tugboat assistance to vessels carrying Excluded Cargoes), (ii) Institute Warranties and Clauses may be breached if insurance complying with Article 9 hereof is available and has been obtained without cost to Shipowner prior to such breach (Charterer also agreeing to notify Shipowner as to each such occurrence at the time thereof), and (iii) the Vessel shall not be operated in any manner contrary to the applicable laws of the United States or, in any manner which can or may injuriously affect the documentation thereof under such laws and regulations or (except as otherwise permitted in clause (ii) above) in any area in which the insurance required by the terms of Article 9 shall not be in full force and effect or in any manner in violation of applicable laws, foreign or domestic, or international conventions.

(b) Charterer shall have exclusive possession and control of the Vessel and shall man, victual, navigate and operate the Vessel at its own expense or by its own procurement throughout the Charter Period. As between Shipowner and Charterer, the master, officers and crew of the Vessel shall be engaged and employed by Charterer and shall remain Charterer's servants, navigating and working the Vessel on behalf of and at the risk of Charterer. Shipowner

shall not have any interest in salvage moneys earned by the Vessel or received by Charterer during the Charter Period. Charterer shall pay all port charges, pilotages, and all other costs, charges and expenses whatsoever incident to the documentation, use, operation, maintenance and repair of the Vessel during the Charter Period and until the Vessel has been redelivered to the Shipowner at the expiration of the Charter Period free of Liens (other than Shipowner's Liens) and in all respects in the condition required by this Demise Charter.

(c) Charterer shall, without expense to Shipowner, throughout the Charter Period maintain the documentation of the Vessel in the name of Shipowner under the laws and flag of the United States eligible to engage in the registry and coastwise trades of the United States, and Shipowner shall upon the Request of Charterer execute such documents and furnish such information as Charterer may reasonably require to enable Charterer to maintain such documentation. The Vessel shall, and Charterer covenants that it shall, at no expense to Shipowner, at all times during the Charter Period comply with all applicable laws, treaties and conventions in effect from time to time, and rules and regulations issued thereunder, including particularly, but without limitation by this enumeration, the International Convention for Safety of Life at Sea, 1960, as amended, and all applicable laws, rules and regulations administered by the Maritime Administration, the USCG, the Customs Service, the Treasury Department, the Federal Power Commission, the Federal Communications Commission, the Public Health Service, the Environmental Protection Agency, the Military Sealift Command, and any other United States, state, or foreign nation, agency or entity established under any international convention having jurisdiction in connection with the use, control, operation and maintenance of the Vessel, or their respective successors, and Charterer covenants that it will have on board, when required thereby, valid certificates showing compliance therewith. Charterer covenants that it will not suffer or permit anything to be done which might injuriously affect the documentation of the Vessel under the laws and regulations of the United States and will not abandon the Vessel in a foreign port (other than as permitted hereunder in connection with an Event of Loss), or engage in any unlawful trade or violate any law or regulation or carry or move any cargo or vessel that may expose the Vessel to penalty, forfeiture or seizure. Shipowner hereby represents that it presently meets and covenants that it will at all times throughout the Charter Period meet the requirements of law so that the Vessel is eligible for documentation under United States flag pursuant to Title 46, United States Code ("U.S.C."), and the regulations thereunder, and is qualified to own vessels operating in the coastwise trade of the United States. Charterer hereby represents that it meets and covenants that it will meet at all times throughout the Charter Period and upon any redelivery of the Vessel to Shipowner as required by this Demise Charter, the requirements of law so that the Vessel is eligible for documentation and operation under United States flag pursuant to Title 46 U.S.C. and the regulations thereunder. Each of Charterer and Shipowner further represents and covenants that it is and, so long as the same shall be necessary to maintain the documentation of the Vessel under the laws and flag of the United States and to operate the Vessel in the coastwise trade of the United States, will be, a citizen of the United States within the meaning of Sections 2(a), 2(b) and 2(c) of the Shipping Act.

ARTICLE 4

Maintenance and Repairs

(a) Charterer shall be charged with full responsibility for maintenance and repair of the Vessel throughout the Charter Period and shall at all times during the Charter Period, without expense to Shipowner, maintain and preserve the Vessel in good condition, working order and repair, ordinary wear and tear only excepted, so that the Vessel shall be, insofar as due diligence can make her so, tight, staunch, strong and well and sufficiently tackled, appareled, furnished, equipped and in every respect seaworthy and in good operating condition at the commencement of each voyage hereunder.

(b) During the Charter Period the Vessel shall be repaired and overhauled by Charterer whenever reasonably necessary. During the Charter Period the Vessel shall likewise be dry-docked, cleaned and the bottom painted by Charterer whenever reasonably necessary and, in any event, whenever required by applicable regulations of the USCG or any other state or federal agency having jurisdiction, as the case may be. Charterer shall give Shipowner written notice of each such proposed dry-docking 30 days in advance if practicable, but otherwise so long in advance as may be practicable under the circumstances, in order that Shipowner may, if it so desires, have a representative present at such dry-docking and otherwise inspect the Vessel at Charterer's expense to the extent of Shipowner's reasonable out of pocket costs.

(c) Subject to any applicable laws and regulations, Shipowner or its authorized representatives shall have the right at reasonable times, on reasonable notice, to inspect or survey the Vessel in order to ascertain its condition and to satisfy itself that the Vessel is being properly repaired and maintained in accordance with this Article 4, but inspection in drydock shall be made only when the Vessel shall be in drydock under the provisions of Article 4(b). Any such inspection by Shipowner shall not unreasonably delay the Vessel in the prosecution of any voyage. During the Charter Period, Charterer shall make, or cause to be made, all such repairs, without expense to Shipowner, as such inspection or survey may show to be reasonably required in order to meet the requirements of this Article 4, provided, that such repairs are also required by the Vessel's insurers, the USCG or any other governmental agency having jurisdiction over the Vessel. Charterer shall (i) permit Shipowner or its authorized representatives, to inspect the Vessel's cargo and her logs and papers and make copies thereof whenever requested, on reasonable notice and (ii) furnish Shipowner with full information (including, without limitation, any survey reports) regarding any casualties or other accidents or physical damage to the Vessel or other property, or to any person, involving an amount in excess of \$75,000.00.

(d) Charterer shall in all material respects, and at all times, timely comply with any and all requirements of and obligations under any material agreement for use of the Vessel.

ARTICLE 5

Use of Stores and Equipment

(a) Charterer may, without additional payment to Shipowner, use and consume such fuel, diesel oil, fresh water, lubricating oil, greases and consumable stores belonging to Shipowner as may be on board the Vessel on the Delivery Date and, upon Redelivery, all fuel, diesel oil, fresh water, lubricating oil, greases and consumable stores as may be left on board at that time shall be the property of Shipowner.

(b) Charterer shall have the use, without additional payment to Shipowner, of all outfit, equipment (including cabin, crew and galley equipment), furniture, furnishings, appliances, spare and replacement parts and non-consumable stores belonging to Shipowner as shall be on board the Vessel on the Delivery Date.

(c) Charterer shall provide, without expense to Shipowner, such additional outfit, furniture, furnishings, appliances, spare and replacement parts, tools and stores as may be required by Charterer for the operation of the Vessel. Such additional property so provided shall not become part of the Vessel but shall remain the property of Charterer and, unless Shipowner shall otherwise agree, Charterer shall remove the same, without expense to Shipowner, at or before Redelivery and the Vessel shall be restored prior to Redelivery to the condition she would have been in if such property had not been installed.

ARTICLE 6

Charterer's Changes, Installation of Equipment and Removal of Parts

(a) During the Term, Charterer, at its own time, risk and expense and upon giving 30 days' prior written notice to Shipowner, may make structural changes or alterations in the Vessel, provided that, in the written opinion of an independent naval architect appointed by Charterer and approved by Shipowner, such structural change or alteration does not diminish the seaworthiness or commercial value or utility of the Vessel in its intended trades and use. Charterer shall reimburse Shipowner on demand for all out of pocket costs incurred by Shipowner in considering Charterer's Request, regardless of whether Charterer shall have received a favorable response to any Request hereunder.

(b) During the Term, Charterer may install any pumps, gear or equipment Charterer may require in addition to that on board the Vessel at the time of delivery thereof, provided that such installations are accomplished at Charterer's time, risk and expense. Pumps, gear and equipment so installed shall, without necessity of further act, become part of the Vessel and the property of Shipowner, *provided, however*, that at any time prior to Redelivery and so long as no Event of Default shall have occurred and be continuing, any such pumps, gear or equipment not required to be installed in order to meet the requirements of the second sentence of Article 3(c) or of Article 4(a), may be removed by Charterer, without expense to Shipowner (provided that the Vessel is restored prior to Redelivery to the condition it would have been in if such pumps, gear or other equipment had not been installed), whereupon such pumps, gear and

equipment shall automatically, without necessity of further act, become the property of Charterer.

(c) Charterer may, in the ordinary course of maintenance, repair or overhaul of the Vessel, remove any item of property constituting a part of the Vessel, provided such item of property (other than pumps, gear or equipment installed pursuant to Article 6(b)) is replaced as promptly as possible by an item of property which is free and clear of all security interests, liens, encumbrances and rights of others, is in as good operating condition, leaves the Vessel as seaworthy and has a value and utility at least equal to the item of property being replaced. Any item of property removed from the Vessel as provided in the preceding sentence shall remain the property of Shipowner until replaced in accordance with the terms of said sentence, but shall then, without necessity of further act, become the property of Charterer. Any such replacement item of property shall, without necessity of further act, become part of the Vessel and property of Shipowner.

(d) In each case in compliance with applicable laws, Charterer shall have the right to paint the Vessel in its own colors or those of any Person to whom it may time charter the Vessel, to name and rename the Vessel or permit any such time charterer to name and rename the Vessel (and Shipowner will, at Charterer's sole cost and expense, on Request execute such documents as shall be required to effect any such change of name), to install and display its or such time charterer's stack insignia and to fly its or such time charterer's house flag, all without expense to Shipowner, and Charterer shall remove such flag and insignia, without expense to Shipowner, prior to Redelivery.

ARTICLE 7

Liens and Mortgages

Without prejudice to the rights of Shipowner under Article 14, neither 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 Shipowner, to create, incur or permit to be placed or imposed upon the Vessel any mortgage, lien, charge or other encumbrance whatsoever other than Permitted Liens. Nor shall the Shipowner have any right, power or authority so to do. Charterer hereby warrants and defends the title to, and the possession of, the Vessel and every part thereof against the claims and demands of all Persons whomsoever arising (other than by or through the Shipowner) during the Charter Period, which obligation of Charterer shall survive the Redelivery or other Termination of this Demise Charter. During the Charter Period, Charterer agrees to carry a true copy of this Demise Charter with the ship's papers on board the Vessel and to exhibit the same on demand to any Person having business with the Vessel which may give rise to a maritime lien upon the Vessel, and on demand to any representative of Shipowner. Charterer shall also place and keep prominently exhibited in the master's cabin and the chart room of the Vessel, or at another appropriate place or places on board the Vessel, a printed notice which will be substantially in the following form:

NOTICE OF DEMISE CHARTER

THIS VESSEL IS OWNED BY CITICAPITAL COMMERCIAL

LEASING CORPORATION, AN INDIANA CORPORATION FORMERLY KNOWN AS ASSOCIATES LEASING, INC. ("SHIPOWNER"), AND IS UNDER DEMISE CHARTER TO McALLISTER TOWING AND TRANSPORTATION COMPANY, INC., A DELAWARE CORPORATION ("CHARTERER"). UNDER THE TERMS OF THE DEMISE CHARTER, NEITHER THE CHARTERER, ANY OTHER CHARTERER, THE MASTER OR AGENT OF THIS VESSEL NOR ANY OTHER PERSON (OTHER THAN THE SHIPOWNER) HAS ANY RIGHT, POWER OR AUTHORITY TO CREATE, INCUR OR PERMIT TO BE PLACED OR IMPOSED UPON THIS VESSEL ANY LIEN WHATSOEVER OTHER THAN LIENS FOR WAGES OF A STEVEDORE WHEN EMPLOYED DIRECTLY BY THE CHARTERER OR THE OPERATOR, MASTER OR AGENT OF THIS VESSEL, FOR WAGES OF THE CREW IN RESPECT OF THIS VESSEL (INCLUDING WAGES OF THE MASTER TO THE EXTENT PROVIDED BY PUBLIC LAW 90-293 APPROVED APRIL 25, 1968), OR GENERAL AVERAGE, OR FOR SALVAGE (INCLUDING CONTRACT SALVAGE) AND FOR CERTAIN OTHER LIENS FOR REPAIRS OR INCIDENT TO CURRENT OPERATIONS.

Notwithstanding the provisions of this Article 7, in the event the 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 ten (10) Business Days from the date of arrest or detention, the Shipowner shall be at liberty to apply for and receive possession of and to take possession in such proceeding of the Vessel (subject however to this Demise Charter) and to protect its right, title and interest as owner of the Vessel with all the rights and powers that the Shipowner might have, possess and exercise in any such event. If such arrest or detention is such that under this Article 7 the Charterer is required to defend the Vessel, then all expenses incurred by Shipowner pursuant to the foregoing sentence shall constitute a debt due from the Charterer to the Shipowner, but the Shipowner shall not be obligated to take the action authorized by the foregoing sentence.

ARTICLE 8

Risk of Loss

Subject to the provisions of Articles 6, 7, 11, and 12 hereof, the Charterer shall bear the entire risk of loss and damage to the Vessel or any of its component parts during the Charter Period. Notwithstanding the foregoing sentence, in no event shall Charterer's obligation to Shipowner in respect of the loss of or damage to the Vessel, or in respect of any Event of Default, be in excess of the amount in dollars which Charterer would be obligated to pay to Shipowner pursuant to Article 11 upon the occurrence of an Event of Loss, or Article 15 upon the occurrence of an Event of Default, as the case may be.

ARTICLE 9

Insurance

(a) Charterer shall, without expense to Shipowner, provide and maintain insurance on or with respect to the Vessel and the operation thereof during the Charter Period as follows:

(1) At its own expense, Charterer shall maintain or cause to be maintained with first class marine insurance companies or associations approved by Shipowner (which approval shall not be unreasonably withheld or delayed) full marine hull and machinery insurance, and increased value or other forms of total loss only insurance, and shall also maintain war risk navigating hull insurance provided, however, that when the Vessel is operating between ports in the United States, Canada and islands in the Caribbean excluding Cuba and the territorial waters thereof and excluding other islands that are threatened by hostilities, war risk insurance shall not be required, in each case to the extent commercially available and on an agreed value basis on the Vessel against loss, damage, fire and such other perils as are usually covered by the forms of marine policy in question in an amount aggregating at all times not less than the Stipulated Loss Value of the Vessel at such time.

While being operated, the Vessel shall always be covered by such marine navigating risk hull insurance and marine war navigating risk hull insurance provided, however, that when the Vessel is operating between ports in the United States, Canada and islands in the Caribbean excluding Cuba and the territorial waters thereof and other islands that are threatened by hostilities, war risk insurance shall not be required; and if, when and while the Vessel is laid up, in lieu of the aforesaid marine navigating risk hull insurance and increased value and other forms of total loss insurance, port risk hull insurance may be taken out thereon by Charterer.

(2) At its own expense, Charterer shall maintain full form entries (including pollution coverage) with financially sound and reputable insurers or protection and indemnity associations, covering marine and war risk protection and indemnity risks (provided, however, that when the Vessel is operating between ports in the United States, Canada and islands in the Caribbean excluding Cuba and the territorial waters thereof and excluding other islands that are threatened by hostilities, war risk insurance shall not be required), including those of liability for property damage to third persons (including liability to any governmental authority or other person with respect to pollution liability) and personal injury or death to any person arising out of the maintenance, use, operation and ownership of the Vessel, cargo damage or loss, and wreck removal in such amounts as are usually carried by persons engaged in the same or similar businesses as Charterer: provided, however, that in no event shall the amount of such insurance per person and per occurrence (subject to such deductible, if any, permitted hereby or by Shipowner) be less than the customary amount of coverage available in the market from time to time with respect to U.S. flag vessels of the same type, age and trade as the Vessel. Such liability insurance shall, name each of the Shipowner, Charterer and other interested persons as insureds, as their respective interests may appear, but, to the extent the insurers are willing so to do, without recourse to the Shipowner for the payment of premiums, club calls, supplemental calls, or back calls, assessments or advances.

(3) Charterer shall arrange for the issuance of policies of Innocent Owners Protection Insurances naming Shipowner as sole payee and insured in the event of loss or damage to or liabilities arising in connection with the Vessel, in each case with limits of liability not less than the Purchase Price, subject to no defense based on breach of warranty or failure of condition by Charterer or any other Person (other than Shipowner).

(4) Charterer shall provide and maintain any additional liability insurance (or any substitute therefor) recommended by the insurance brokers referred to in Article 9(g) and requested by Shipowner which, in the opinion of said insurance brokers, a shipowner and operator engaged in the operation of U.S. flag vessels of similar size, type, age, trade and cargo should carry from time to time consistent with industry standards. Shipowner shall be named an additional assured under all such policies, which shall include not less than \$700,000,000.00 in pollution coverages so long as such insurance is available in the market at commercially reasonable rates in the reasonable judgment of Shipowner and Charterer.

(5) Irrespective of the foregoing, Charterer shall have the right to self-insure (including by way of a deductible) without the consent of Shipowner, (A) in the case of hull and machinery insurance in amounts up to \$100,000 per incident, and (B) in the case of protection and indemnity insurance the deductible shall not exceed \$75,000.00. The foregoing deductibles shall apply for each loss, incident, occurrence, event, or indemnity, as the case may be.

(b) All insurance (other than against protection and indemnity or other liability risks) shall be taken out in the names of the Shipowner and Charterer, and other interested persons as named assureds as their interests may appear, and the policies or certificates shall provide that (or operate so that) there shall be no recourse against Shipowner for the payment of premiums, assessments or advances (and, to the extent the insurers shall be willing so to do, in the case of P&I club entries, club calls, supplemental calls or back calls) and shall provide for at least fourteen (14) days prior written notice to be given by underwriters to Shipowner in the event of cancellation for nonpayment of premium and, to the maximum extent that the underwriters or other entities affording coverage thereunder will agree so to do, of non-renewal or other cancellation of the applicable policy.

(c) All policies of insurance or other evidence thereof (other than those relating to protection and indemnity or other third party liability risks) shall provide that losses thereunder shall be payable to the Shipowner; provided, however, that such policies of insurance or other evidence thereof shall provide that:

(1) any loss under any insurance on the Vessel with respect to protection and indemnity risks or other liability insurance may be paid (x) directly to the Person to whom any liability covered by such insurance has been incurred or (y) to the extent Charterer has paid the loss, damage or expense covered by such insurance to the Person referred to in clause (x), directly to Charterer to reimburse it for such payments made by Charterer, provided, however, that the underwriters (I) shall have first received evidence that the liability insured against has been discharged or is being discharged simultaneously with such payment and (II)

shall not in the case of payments to Charterer under clause (y) above be paid to Charterer after the underwriters shall have received written notice from the Shipowner of the occurrence of an Event of Default or, if so, have been notified by the Shipowner in writing that such Event of Default has been cured or waived; and

(2) in case of any loss (other than a loss covered by clause (1) above or a loss which is an Event of Loss) under any insurance with respect to the Vessel involving any damage to the Vessel, the underwriters (x) may pay directly for the repair or other charges involved or (y) may pay directly to Charterer as reimbursement if Charterer shall have first fully repaired the damage and paid the cost thereof and paid the other charges involved, and the underwriters shall have received evidence of such repair and payment or that such payment will be made simultaneously with the payment by the underwriters; provided, however, that if the payment by underwriters attributable to any loss shall exceed \$100,000.00, the written consent of Shipowner to such payment shall first be obtained, which consent will not be unreasonably withheld or delayed.

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

(e) Charterer shall, without expense to Shipowner, have the right, duty and responsibility to make all proofs of loss and take any and all other steps necessary to effect collections from underwriters for any loss under any insurance on or with respect to the Vessel or the operation thereof including the right to effect compromises of claims against insurers, provided however that such compromises, if materially at variance from the amount of any claim in excess of \$100,000.00, shall be subject to the prior written approval of Shipowner, which approval shall not be unreasonably withheld or delayed. Shipowner shall cooperate at the expense of Charterer in making all proofs of loss and take all other reasonable steps necessary to effect collection from underwriters.

(f) The insurance provided and maintained on or with respect to the Vessel or the operation thereof in accordance with this Demise Charter shall be on such forms of policies or other evidence thereof (except in the case of protection and indemnity coverage) as are the latest appropriate (at the time of issue of the policies in question) of the forms of American Institute of Marine Underwriters policies and/or The Institute of London Underwriters policies and/or such other forms of policies approved by the Shipowner insuring the Vessel against the usual risks covered by such forms as are recommended by the insurance brokers referred to in Article 9(g) as being customary at the time for U.S. flag vessels of similar size, type, age, trade and cargo. With respect to protection and indemnity coverage, Charterer shall at all times maintain an entry for the Vessel in the name of Charterer in a protection and indemnity association that is a party to the International Group Agreement 1985, dated February 1985, effective February 20, 1985, as from time to time amended. Notwithstanding the foregoing, Shipowner may require changes if such changes are necessary to comply with requirements of or

to insure against liabilities created or increased by (including those arising by reason of a change, modification, or amendment of) law (including judicial or administrative decisions) or regulations of the government of any state, territory, or possession thereof or of any nation or other place where the Vessel may be documented or may be operating or the laws of which may otherwise apply or, in the opinion of the insurance brokers referred to in Article 9(g) below, are such as a shipowner or operator of a vessel of similar size, type, age, flag, trade and cargo should carry in order to protect against the liabilities created by such change, modification or amendment of law consistent with industry standards.

(g) Charterer shall furnish, or cause to be furnished, to Shipowner on the first day of the Term and in each calendar year thereafter (concurrently with the renewal or placement of insurance on the Vessel or at Charterer's option, concurrently with the forwarding of similar reports to the Charterer's lenders), a detailed report, signed by marine insurance brokers approved by Shipowner (which approval will not be unreasonably withheld or delayed) with respect to the insurances carried and maintained on or with respect to the Vessel and the operation thereof by Charterer under this Demise Charter and stating in effect that such insurances comply in all respects with the applicable requirements of this Demise Charter, and that the forms of policies or other evidence of such insurances are customary at the time for U.S. flag vessels of similar size, type, age, trade and cargo and setting forth any recommendations such insurance brokers may have for additional liability insurance (or substitute therefor) which a shipowner or operator of a U.S. flag vessel of similar size, type, age, trade and cargo should in their opinion carry. Charterer will cause any such insurance brokers to agree to advise Shipowner promptly of (i) any default in the payment of any premium required (whether for new insurance or for insurance, replacing, renewing or extending existing insurance) and any other act or omission on the part of Charterer of which such insurance brokers have knowledge and which would invalidate or render unenforceable, or cause the lapse or prevent the renewal or extension of, in whole or in part and (ii) of any reduction in the amount of, or material change in the terms of, any insurance on or with respect to the Vessel or the operation thereof required to be carried or maintained by Charterer under this Demise Charter and to furnish Shipowner, from time to time, upon Request, reasonably detailed information with respect to any of such insurance.

(h) Charterer will provide and maintain all insurance required to be provided and maintained by Charterer under this Demise Charter with first class marine insurance companies, underwriters associations or underwriting funds approved by Shipowner, which approval shall not be unreasonably withheld or delayed.

(i) Charterer shall deliver to Shipowner the originals or certified copies of the cover notes evidencing the insurances required to be provided and maintained pursuant to this Demise Charter. Charterer shall also deliver copies of all insurance policies (as soon as available) and club entry and rules. A confirmation of coverage or binder of insurance, and any other available evidence of insurance, shall be provided by Charterer to Shipowner not less than ten (10) days in advance of each placement and each renewal or as soon as practicable after such placement or renewal.

(j) Nothing in this Article 9 shall prohibit Shipowner from placing, at Shipowner's expense insurance on or with respect to the Vessel or the operation thereof in an amount exceeding the amount required to be carried or maintained by the Charterer pursuant to

Article 9(a), or against risks not required to be covered pursuant to Article 9(a), unless such insurance would conflict with or otherwise limit the insurance to be provided or maintained by Charterer in accordance with Article 9(a) or carried or proposed to be carried by Charterer in accordance with this Article 9(j). Charterer agrees, upon receipt of a request of, and payment of the premium therefor (and other associated costs) by, Shipowner, to apply for and carry any insurance permitted to be carried by Shipowner pursuant to the preceding sentence, to the extent such insurance is available, with Shipowner named as the sole loss payee. Shipowner agrees, upon the placing of any such insurance, to furnish Charterer promptly with copies of all Policies relating to such insurance. Nothing in this Article 9 shall prohibit Charterer from placing any additional insurance Charterer desires, at Charterer's expense, on or with respect to the Vessel or the operation thereof, unless such insurance would conflict with or otherwise limit the insurance to be carried or maintained by Charterer in accordance with Article 9(a). Charterer agrees, upon the placing of any such insurance, to furnish Shipowner promptly with copies of all Policies relating to such insurance. The benefit of any insurance permitted by the first or fourth sentence of this Article 9 shall inure to benefit of the party at the expense of which such insurance is procured. Any such additional insurance procured pursuant to this Article 9(j) shall provide, or shall operate as if it provided, for a waiver of subrogation, if procured by Shipowner, against the Charterer (and to the extent available against its respective Affiliates, officers, directors and employees) and if procured by Charterer against Shipowner (and to the extent available against its respective Affiliates, officers, directors and employees).

(k) If a libel shall be filed against the Vessel, or if the Vessel shall be otherwise levied upon or taken into custody by virtue of proceedings in any court or tribunal in any country or nation of the world or by any governmental or other authority because of any liens or claims [other than claims or Liens (A) arising solely as the result of Shipowner's acts or omissions (other than acts or omissions for which Shipowner is indemnified pursuant to the terms of the Transaction Documents) or (B) as the result of claims or demands against Shipowner unrelated to Shipowner's ownership of the Vessel, which such claims or Liens it shall be the duty of the Shipowner promptly to discharge or cause to be released, (all such claims and Liens sometimes being herein referred to as "Shipowner's Liens")], Charterer shall, without expense to Shipowner cause the Vessel to be released within ten (10) Business Days and any such claims or liens to be discharged when such claims or the obligations or charges secured by such liens are due and payable and are not being contested in good faith by appropriate proceedings. In the event the Vessel is levied upon or taken into custody or detained by any authority whatsoever, Charterer agrees forthwith to notify Shipowner thereof by telefax, telegram or telex, confirmed by letter.

(l) In the event of an accident, occurrence or event resulting in an actual or constructive total loss of the Vessel, the Charterer shall have the right to declare and claim for a constructive total loss of the Vessel and to require that Shipowner accede to or join in such claim. In the event of an accident, occurrence or event of damage to the Vessel, the Charterer shall have the right in its discretion to enter into an agreement or compromise with underwriters providing for an agreed or compromised total loss of the Vessel, but Charterer shall not declare or agree upon a compromised or agreed total loss of the Vessel without the prior written consent of Shipowner if the proceeds available under policies applicable to such accident, occurrence or event shall aggregate less than the Stipulated Loss Value. All insurance required to be procured by Charterer under this Article 9 shall, unless otherwise first agreed in writing by the Shipowner or unless otherwise provided in this Article 9, provide that no such insurance shall be excess

over other coverage but shall be primary to the insurance required under this Article 9 and shall contain, or shall operate as if it contained, a waiver of subrogation against Shipowner (and to the extent available against its respective Affiliates, officers, directors and employees).

(m) Unless an Event of Default has occurred and is continuing, Charterer shall have the right to prosecute claims against third parties for (i) damage to the Vessel or (ii) for personal injuries for which Charterer or Shipowner has been named as a defendant or held liable, where necessary in the name of Shipowner, to the extent that such claims are not reimbursed by insurance (including claims that fall within Charterer's applicable deductibles).

ARTICLE 10

Term of Demise Charter and Charter Hire; Purchase Options; Third Party Sales

(a) This Demise Charter shall remain in effect until, and shall terminate at the end of the Charter Period. Provided Charterer shall have delivered irrevocable written notice of the exercise thereof not less than ninety (90) days prior to the 96th Basic Hire Payment Date, Charterer shall have the option to pay Shipowner the Final Purchase Amount in immediately available funds and concurrently therewith Shipowner shall execute and deliver to Charterer a bill of sale of the Vessel, in recordable form, AS IS, WHERE IS, in whatever condition she may be, without recourse or warranty of any kind provided however that Shipowner shall warrant that it has not, through its own acts, transferred title to the Vessel and that the Vessel is free and clear of any Shipowner's Liens. Time shall be considered of the essence in the exercise of such option and the payment of the purchase price therefor and failing timely exercise or payment such option shall irrevocably and forever lapse. In the event Charterer does not timely elect to purchase the Vessel at the expiration of the 96th Basic Hire Payment Date, Charterer shall cause the Vessel to be sold to an unrelated third party in an arms length sale ("Third Party Sale"), for the sole benefit of Shipowner promptly following the 96th Basic Hire Payment Date, in which event the Charterer shall continue to pay Basic Hire at the rate specified in respect of said first ninety-six (96) payments of Basic Hire until the Vessel is sold and the proceeds of sale received by the Shipowner who shall be entitled to retain the entire net proceeds thereof. Furthermore, (i) in the event said net proceeds are less than 50.00% of the Purchase Price, Charterer shall concurrently with the receipt by Shipowner of said net proceeds pay to Shipowner the difference between the amount of said net proceeds and 50.00% of the Purchase Price, provided, however, that Charterer's liability shall be limited to an amount equal to 28.67% of the Purchase Price, and further provided, however, that if an Event of Default shall have occurred and shall not have been cured, Charterer shall be required to pay to Shipowner the total difference between said net proceeds and said 50.00%, and (ii) in the event the said net proceeds are in excess of 50.00% of the Purchase Price, Shipowner shall pay such excess to Charterer.

(b) During the Term, Charterer promises to pay to Shipowner Basic Hire on each Basic Hire Payment Date. During the Charter Period, Charterer agrees to pay to Shipowner Supplemental Hire within ten (10) Business Days after demand therefor.

(c) From, but excluding, the last day of the Term until and including the date of Redelivery (if any) of the Vessel and until all other obligations of Charterer to Shipowner under this Demise Charter have been fulfilled, Charterer shall pay to Shipowner Charter Hire at

a per diem rate equal to one payment of the then applicable amount of Basic Hire divided by thirty for such period.

(d) In the event any amount of Charter Hire payable pursuant to this Article 10 is not paid when due as provided in this Article 10, Charterer promises to pay, in addition to such amount of Charter Hire, interest on the overdue portion thereof for the period from the due date of such Charter Hire until the date of payment thereof at the Default Interest Rate together with an administrative and late payment charge of 5% of the amount of any such overdue payment which is more than ten (10) calendar days late.

(e) Notwithstanding anything else in this Demise Charter contained, so long as the Charterer shall not be deprived of the quiet and uninterrupted use and possession of the Vessel through the willful misconduct of Shipowner, Charterer's obligations and liabilities hereunder are absolute and unconditional except as set forth herein and in Article 11 and no Charter Hire payment nor any other payment to be made by Charterer hereunder during the Charter Period shall, except in accordance with the express terms hereof, be subject to (x) any reduction (except as otherwise expressly provided herein), limitation, impairment or termination (except upon termination of this Demise Charter in accordance with the terms hereof) whether by reason of any claim of any character whatsoever, or otherwise, including, without limitation, claims of waiver, release, surrender, alteration, consent, extension, indulgence or compromise, or (y) any right of set-off, counterclaim, defense, recoupment, abatement, suspension or deferment whether based upon this Demise Charter or any other agreement or otherwise and howsoever arising, whether out of actions or nonactions of any other Person, and Charterer shall have no right to terminate this Demise Charter (except as provided in Article 10(a), 10(h) and 11) or to be released, relieved or discharged from any obligation or liability hereunder to make such payments for any reason whatsoever. Nothing contained in this Article 10 shall be construed to be a waiver, modification, alteration or release of any claims which Charterer may have at any time during the Charter Period or subsequent thereto for damages or equitable relief for any breach by Shipowner or any substitute parties or any other Person of any provision of this Demise Charter or any provision of any other agreement.

(f) The obligation of Charterer to pay Basic Hire pursuant to this Demise Charter shall cease to accrue as at the day following the date of occurrence of an Event of Loss or the termination hereof pursuant to Article 15 or upon exercise by Charterer of its option to terminate pursuant to Article 10(a), or pursuant to Article 10(g) and the completion and fulfillment by Charterer of its obligations thereunder.

(g) Any provision of this Demise Charter to the contrary notwithstanding, upon redelivery of the Vessel to Shipowner under Article 13 or following the occurrence of an Event of Default, the Vessel shall be free and clear of all Liens (other than Shipowner's Liens, if any), including, without limitation, the Lien of any Charter, free of cargo with clean swept holds and in all other respects charter free.

ARTICLE 11

Event of Loss and Right to Terminate

(a) Upon the occurrence of an Event of Loss during the Charter Period, this Demise Charter shall terminate upon the payment to Shipowner of the payments referred to in the next sentence. After such occurrence Charterer shall pay to Shipowner (i) an amount equal to all out of pocket expenses (including legal and investigatory fees) incurred by, and not otherwise reimbursed to, Shipowner in connection with the occurrence of the Event of Loss as set forth in an Officer's Certificate of Shipowner received by Charterer at least five (5) Business Days prior to the date of such payment, (ii) within one hundred twenty (120) days following such Event of Loss the Stipulated Loss Value of the Vessel as of the date of the occurrence of the Event of Loss and (iii) interest on said Stipulated Loss Value at 10.00% per annum from and including the date of occurrence of such Event of Loss to and including the date of payment to Shipowner of such Stipulated Loss Value (it being understood for the purpose of this Article 11(a) only, the definition of Stipulated Loss Value shall not include the interest factor set forth therein).

(b) Charterer agrees forthwith upon obtaining knowledge thereof to notify Shipowner by telefax, telegram or telex, confirmed by letter, of the occurrence of an Event of Loss or of an event which with the passage of time would become an Event of Loss.

(c) If an Event of Loss shall occur during the Charter Period, Shipowner shall be entitled to retain all amounts payable to it in respect of such Event of Loss under the insurance provided pursuant to Article 9(a) hereof up to the aggregate amount which Charterer shall be obligated to pay to Shipowner pursuant to Article 11(a) above (and will credit the amount of any such policy proceeds actually received against Charterer's obligations to Shipowner under this Demise Charter) and shall remit any excess (including any excess by reason of payment by Charterer prior to the receipt by Shipowner of insurance proceeds as the result of any Event of Loss) to Charterer; provided, however, that any excess proceeds received as the result of excess coverage procured by a party hereto pursuant to Article 9(j) hereof shall be retained by the party procuring the same as its own property, to which the other party hereto shall have no claim or right.

ARTICLE 12

Requisition of Use

(a) In the event the Vessel is requisitioned for use by any governmental or other competent authority during the Charter Period, such requisition (unless it constitutes an Event of Loss hereunder) shall not terminate or entitle Charterer to terminate this Demise Charter or to cease or interrupt payment in full of Charter Hire. If during the Charter Period the Vessel is under such requisition, Charterer shall be entitled to any amounts payable to Shipowner or to Charterer in respect of such requisition insofar as it falls within the Charter Period and, provided no Event of Default shall have occurred and be continuing, Shipowner shall pay any such amounts to Charterer immediately upon receipt thereof by Shipowner.

(b) Should the Vessel be under requisition for use at or until the end of the Term:

(i) Charterer shall, if prevented by reason of the requisition from redelivering the Vessel as provided in Article 13(a) hereof, be relieved from the obligation to do so, but shall consult with Shipowner as to the most convenient method of enabling Shipowner to obtain redelivery of the Vessel when she is released from such requisition; and

(ii) after such release Charterer shall be given a reasonable opportunity of complying with Charterer's obligation under Article 6 and of removing any such additional equipment as is referred to in Article 6(b) hereof on the terms referred to therein.

(c) Charterer agrees forthwith to notify Shipowner by telefax, telegram or telex, confirmed by letter, of any requisition of use of the Vessel by the United States or any other government.

ARTICLE 13

Redelivery

(a) Subject to the rights of Charterer under Article 10(a), on the last day of the Charter Period (but in no event prior to the expiration of the Term) unless an Event of Loss has occurred or this Demise Charter has been terminated pursuant to Article 15(b) or use of the Vessel has been requisitioned and such requisition is continuing at the end of the Charter Period Charterer shall effect Redelivery of the Vessel to Shipowner at a safe berth at a safe port on the East Coast of the United States between Boston, Massachusetts and Norfolk, Virginia selected by Shipowner or at such other port and place agreed upon by Shipowner and Charterer and in the order and condition required by the terms of Article 4, ordinary wear and tear only excepted, and with no recommendations, requirements or notations with respect to the Vessel outstanding on any Coast Guard or other certificate whatsoever. Charterer shall give written notice to Shipowner of the expected time and port of Redelivery at least 60 days prior to Redelivery.

(b) Any property of Charterer remaining aboard the Vessel upon Redelivery and not removed by Charterer may be retained by Shipowner as its own property without prejudice to Charterer's obligation under Article 6 to restore the Vessel to the condition it would have been in had it not been so installed by Charterer.

ARTICLE 14

Assignments

(a) Shipowner shall have the right to assign this Demise Charter to an Affiliate or to any bank or other financial institution without the prior written consent of Charterer, provided any such assignee is eligible to own vessels operating in the coastwise trade of the United States, and Shipowner shall have the right to assign any moneys (including without limitation, insurance provided in respect of the Vessel) due and to become due under this Demise Charter or to create a security interest in the rights of Shipowner under this Demise Charter (including a preferred ship mortgage on the Vessel) as collateral security for repayment of monies borrowed from any one or more banks or financial institutions, but no such

assignment, nor the creation of any such security interest or mortgage, shall relieve Shipowner of any of its obligations under this Demise Charter; nor shall any remedies be exercisable thereunder that would affect Charterer's use or possession of the Vessel unless and until an Event of Default has occurred and is continuing under this Demise Charter.

(b) Charterer shall have the right to assign or transfer this Demise Charter as set forth in Section 5.1(f) of the Investment Agreement. Charterer may not otherwise assign or transfer this Demise Charter or create a security interest herein and any such assignment or creation of a security interest shall be absolutely void.

(c) Charterer shall have the right to enter into a Charter of the Vessel so long as no Event of Default shall have occurred and be continuing and so long as the terms of the Charter do not violate any provision of this Demise Charter or applicable law and do not result in any costs or penalties to Shipowner and provided (i) that no such Charter (including any renewal rights thereunder) shall extend beyond the Charter Period, (ii) any such Charter which is a bareboat charter or any Charter for a period in excess of six (6) months (including any renewal rights thereunder) shall be subject to the prior written consent of the Shipowner, and (iii) any such Charter for a period in excess of sixty (60) days (including any renewal rights thereunder) performance or nonperformance under which would constitute a Lien against the Vessel shall be made expressly subject and subordinate to the rights of the Shipowner hereunder and shall contain the following language:

“THIS VESSEL IS OWNED BY CITICAPITAL COMMERCIAL LEASING CORPORATION (FORMERLY KNOWN AS ASSOCIATES LEASING, INC.), AN INDIANA CORPORATION (“SHIPOWNER”), AND IS UNDER DEMISE CHARTER TO McALLISTER TOWING AND TRANSPORTATION COMPANY, INC. (“CHARTERER”), A DELAWARE CORPORATION, PURSUANT TO THAT CERTAIN DEMISE CHARTER DATED AS OF DECEMBER 27, 2001. UNDER THE TERMS OF THE DEMISE CHARTER ALL RIGHT, TITLE AND INTEREST OF CHARTERER UNDER THE DEMISE CHARTER SHALL BE AND REMAIN AT ALL TIMES EXPRESSLY SUBJECT AND SUBORDINATE TO THE RIGHTS OF SHIPOWNER UNDER THE DEMISE CHARTER. ACCORDINGLY, SUBCHARTERER UNDER THIS AGREEMENT EXPRESSLY AGREES THAT ALL OF ITS RIGHT, TITLE AND INTEREST HEREUNDER SHALL BE SUBJECT AND SUBORDINATE IN ALL RESPECTS TO THE RIGHTS OF SHIPOWNER UNDER THE DEMISE CHARTER.”

ARTICLE 15

Events of Default; Successor Charterer

(a) The following events shall constitute Events of Default:

(1) Shipowner shall not have received within three (3) days of the date when due any amount which is payable by Charterer to Shipowner under this Demise Charter; or

(2) Charterer shall take any action which results in a breach of Institute Warranties and Clauses (unless insurance in accordance with clause (i) of the proviso contained in Article 3(a) has been obtained) or cancellation or revocation of the documentation of the Vessel under the laws and regulations of the United States shall occur (for reasons other than the sole fault of the Shipowner) or Charterer shall abandon the Vessel in a foreign port (unless an Event of Loss shall have occurred), or Charterer shall make an assignment prohibited by Article 14(b) or Charterer shall fail to maintain insurance on the Vessel which in all respects complies with the requirements of Article 9 hereof; or

(3) any material representation or warranty made by Charterer herein or in the Investment Agreement, the Insurances Assignment, or by any Person (other than Shipowner) in any other Transaction Document shall prove to be incorrect in any material respect on the date as of which it was made; or

(4) Charterer shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder and such failure shall continue unremedied for a period of thirty (30) days after receipt by it of written notice thereof from Shipowner; or

(5) Charterer shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it under the Investment Agreement, the Insurances Assignment or any other Transaction Document within the period of grace specified with respect thereto, if any, provided however, (i) in the case of a breach of the obligations of Charterer of Sections 5.1(a) through and including (d) or Section 5.5 of the Investment Agreement, such breach shall not be considered an Event of Default hereunder unless such breach is not cured within thirty (30) days after receipt of written notice of such breach from Shipowner, and (ii) in the case of a breach by Charterer of Section 5.2, 5.3(a) and 5.6 of the Investment Agreement unless such breach is not cured within two (2) Business Days after receipt of written notice of the same from Shipowner; or

(6) the entry of a decree or order by a court having jurisdiction in the premises adjudging Charterer a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of either of them under the Federal Bankruptcy Code or other applicable Federal, State or foreign law, or appointing a receiver, liquidator, assignee, trustee, sequestrator or other similar official of either of them or of any substantial part of the property of either of them, or ordering the winding-up or liquidation of the affairs of either of them, and the continuance of such decree or order unstayed and in effect for a period of sixty (60) consecutive days; or an involuntary petition shall have been filed against either of them seeking reorganization, arrangement, adjustment or composition

of or in respect of either of them under the Federal Bankruptcy Code or any other applicable Federal, State or foreign law and such petition shall not have been withdrawn or stayed within sixty (60) days of filing; or

(7) The institution by Charterer of proceedings to be adjudicated a bankrupt or insolvent, or the consent by either of them to the institution of bankruptcy or insolvency proceedings against it, or the filing by either of them of a petition or answer or consent seeking reorganization or relief under the Federal Bankruptcy Code or any other applicable Federal, State or foreign law, or the consent by either of them to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator or other similar official of either of them or of any substantial part of the property of either of them, or the making by either of them of an assignment for the benefit of creditors, or the admission by either of them in writing of an inability to pay debts generally as they become due, or the taking of corporate action by any of them in furtherance of any such action; or

(8) Charterer, or any Subsidiary of Charterer, shall default (after the expiration of any applicable period of grace with respect thereto) in the payment of any indebtedness in excess of \$500,000.00 or in the performance of any material obligation to any Person under any loan, note, indenture, security agreement, lease, guarantee, title retention or conditional sales agreement or other instrument or agreement evidencing such indebtedness or obligation; or

(9) Charterer shall terminate its existence by merger, consolidation, sale of substantially all of its assets or otherwise (except as permitted by Section 5.1(f)(i) of the Investment Agreement); or

(10) A Credit Agreement Event of Default shall have occurred that has not been waived by LaSalle and Fleet; or

(11) An "Event of Default" (as defined in that certain Master Charter Agreement dated July 16, 1999 by and between Shipowner (under its former name of Associates Leasing, Inc.), and Charterer relating to the United States flag vessels named CLEARWATER, HILLSBOROUGH, VIGILANT and MARY L. McALLISTER shall have occurred and be continuing.

Charterer shall promptly notify Shipowner of the occurrence of and Event of Default or the occurrence of any events or conditions, which, upon the giving of notice or lapse of time, or both, may become an Event of Default.

(b) Upon the occurrence of any Event of Default, the Shipowner, so long as such Event of Default shall be continuing, may, by written notice to the Charterer, declare this Charter to be in default; provided, however, no written notice need be given or declaration made in respect of an Event of Default pursuant to Article 15(a) (3) or (a) (7) hereof; and at any time thereafter, so long as the Charterer shall not have remedied all continuing Events of Default, the Shipowner may do, and the Charterer shall comply with, one or more of the acts specified in subparagraphs (i) through (iv) of this Article 15 (b) as the Shipowner in its sole discretion shall elect:

(i) (A) Upon written demand, the Shipowner may cause the Charterer at the Charterer's expense to, and the Charterer shall promptly, redeliver the Vessel or cause the Vessel to be redelivered, with all reasonable dispatch to the Shipowner and in the condition required by the terms of Article 13 hereof as if the Vessel were being redelivered at the expiration of the Charter Period, and all obligations of the Charterer under said Article 13 shall apply to such Redelivery, or (B) the Shipowner or its agent, at the Shipowner's option, without further notice, may, but shall be under no obligation to, retake the Vessel wherever found, whether upon the high seas or at any port, harbor or other place and irrespective of whether the Charterer, any subcharterer or any other Person may be in possession of the Vessel, all without prior demand and without legal process, and for that purpose the Shipowner or its agent may enter upon any dock, pier or other premises where the Vessel may be and may take possession thereof, without the Shipowner or its agent incurring any liability by reason of such retaking, whether for the restoration of damage to property caused by such retaking or otherwise. The exercise by the Shipowner of its remedies under this subparagraph (i) shall be without prejudice, and in addition, to any of the Shipowner's other remedies referred to below in this Article 15(b).

(ii) The Shipowner, by written notice to the Charterer specifying a payment date not earlier than ten (10) nor later than thirty (30) days from the date of such notice, may require the Charterer to pay to the Shipowner, and the Charterer hereby agrees that it will pay to the Shipowner, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty, and in lieu of any Basic Hire payments hereunder, all unpaid Charter Hire payable on each Basic Hire Payment Date occurring on or before the payment date specified in such notice, plus an amount equal to the Stipulated Loss Value of the Vessel computed as of the Basic Hire Payment Date immediately preceding the payment date specified in such notice (or as of such payment date if such payment date is a Basic Hire Payment Date), together with interest on such amount at a rate equal to the Default Rate for the period, if any, from the Basic Hire Payment Date as of which such Stipulated Loss Value shall be computed to and including the date of actual payment, and the Shipowner shall pay over to the Charterer the net proceeds of any sale, charter or other disposition of the Vessel actually received by Shipowner (after deducting all costs and expenses whatsoever incurred by the Shipowner in connection therewith and all other amounts which may become payable to the Shipowner hereunder or under or pursuant to any of the other Transaction Documents) up to the amount of such Stipulated Loss Value and interest actually paid by Charterer to Shipowner; provided, however, that in the event that (x) the Charterer pays all such liquidated damages, interest, and any other amounts which may become payable hereunder or under any other Transaction Document, and (y) the Vessel is not then sold, the Shipowner shall, at the Request of the Charterer, transfer, for no additional consideration, the Vessel to the Charterer as is, where is, without recourse or warranty of any kind (other than a warranty against Shipowner's Liens).

(iii) Whether or not the Shipowner shall have exercised, or shall thereafter at any time exercise, any options, rights or remedies under Article 15(b)(i) or (b)(iv), the Shipowner in lieu of exercising its rights under paragraph (ii) of this Article 15(b), may by notice to the Charterer specifying a Basic Hire Payment Date which is not earlier than ten (10) days nor more than thirty days after the date of such notice, require the Charterer to pay to the Shipowner, and the Charterer shall pay to the Shipowner, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty, an amount equal to the aggregate of all unpaid Basic Charter Hire and Supplemental Hire payable in accordance with the terms of

this Demise Charter (plus any other amounts due to the Shipowner) on or prior to such payment date plus an amount equal to the excess of:

(1) Stipulated Loss Value for the Vessel, computed as of the Basic Hire Payment Date occurring on or immediately preceding the payment date specified in such notice, over

(2) whichever of the following amounts the Shipowner, in its sole discretion, shall specify in such notice: (x) the Fair Market Sales Value of the Vessel as of the Basic Hire Payment Date occurring on or next preceding the payment date specified in such notice or (y) the Fair Market Bareboat Charter Value of the Vessel for the period from the Basic Hire Payment Date occurring on or next preceding the payment date specified in such notice to what would have been the end of the Term in the absence of the termination of the Charterer's rights to the Vessel, after discounting such Fair Market Bareboat Charter Value monthly (effective on each payment date which would have occurred under this Charter) to present worth (using a rate of 12% per annum for purposes of such calculation) as of the Basic Hire Payment Date occurring on or immediately preceding the payment date specified in such notice.

The whole sum of the liquidated damages shall be remitted by the Charterer to the Shipowner. For purposes of clause (2) of subparagraph (iii), above, (x) the Fair Market Sales Value or the Fair Market Bareboat Charter Value, as the case may be, shall be zero if the Shipowner is unable to recover possession of the Vessel in accordance with the terms of this subsection (a); (y) if the Shipowner shall have sold the Vessel prior to the giving of the notice referred to above in this subsection (a)(iii), the Fair Market Sales Value shall be the net proceeds of such sale after deducting all unreimbursed costs and expenses whatsoever incurred by the Shipowner in connection therewith; and (z) there shall be added to Fair Market Sales Value or to Fair Market Bareboat Charter Value, as the case may be, the net proceeds received by the Shipowner (after deducting all unreimbursed costs and expenses whatsoever of the Shipowner with respect thereto) from any charter of the Vessel to others pursuant to this Article 15(b) to the extent such proceeds are received by the Shipowner prior to the giving of the notice referred to above in this Article 15(b)(iii). If at any time within one year after the payment of the amounts specified in this Article 15(b)(iii) under the circumstances described in clause (x) above (in which the Fair Market Sales Value or Fair Market Bareboat Charter Value of the Vessel was deemed to have been zero), the Shipowner shall obtain possession of the Vessel and sell or charter the Vessel, then promptly after receipt by the Shipowner thereof, the Shipowner shall pay to the Charterer all net proceeds of such sale or charter up to the amount paid by the Charterer pursuant to this Article 15(b)(iii). Notwithstanding the provisions of this Article 15(b), in the event that (x) the Charterer pays all liquidated damages under this Article 15(b)(iii) and any other amounts owed under this paragraph (iii) within a one year period from the occurrence of the applicable Event of Default, and (y) the Vessel is not then sold, the Shipowner shall, at the Request of the Charterer, transfer, for no additional consideration, the Vessel to the Charterer, AS IS, WHERE IS, without recourse or warranty of any kind (other than a warranty against Shipowner's Liens). Nothing contained in this Article 15(b) shall require the Shipowner to sell or charter the Vessel at any time.

(iv) The Shipowner or its agent may sell the Vessel at public or private sale, with or without advertisement or publication, as the Shipowner may determine (but with at least ten (10) days prior written notice to the Charterer, which both parties hereto agree is reasonable

notice), or otherwise may dispose of, hold, use, operate, charter (whether for a period greater or less than the balance of what would have been the Term in the absence of the termination of the Charterer's rights to the Vessel) to others or keep idle the Vessel, all on such terms and conditions and at such place or places as the Shipowner may determine in good faith and all free and clear of any rights of the Charterer and of any claim of the Charterer in admiralty, in equity, at law or by statute, whether for loss or damage or otherwise, and without any duty to account to the Charterer except to the extent specifically provided in paragraph (iii) of this Article 15(b).

(c) In addition to all amounts payable pursuant to Article 15(b) hereof, the Charterer shall be liable for any and all Supplemental Hire payable under this Charter before, during or after the exercise of any of the foregoing remedies and for all reasonable costs including all legal fees and any other costs and expenses whatsoever incurred by the Shipowner by reason of the occurrence of any Event of Default or by reason of the exercise by the Shipowner of any remedy hereunder, including, without limitation, all costs and expenses incurred by the Shipowner in connection with any retaking of the Vessel and, upon the redelivery or retaking of the Vessel in accordance with this Article 15(c), the placing of the Vessel in the condition and seaworthiness required by the terms of Article 13 hereof and including interest on overdue Charter Hire as provided in Article 19(h) hereof. No remedy referred to in this Article 15 is intended to be exclusive, but each shall be cumulative, is in addition to, and may be exercised concurrently with, any other remedy which is referred to in Article 15(b) and 15(c) or which may otherwise be available to the Shipowner at law, in equity or in admiralty, including, without limitation, the right of the Shipowner to rescind this Charter, to enforce the terms hereof, and the exercise or beginning of exercise by the Shipowner of any one or more of such remedies shall not preclude the simultaneous or later exercise by the Shipowner of any or all such other remedies; provided, however, that liquidated damages having been agreed to by the parties hereto pursuant to Article 15(b), the Shipowner shall not be entitled to recover from the Charterer as damages upon the occurrence of one or more Events of Default an amount in excess of such liquidated damages plus any Supplemental Hire, and all costs, interest and expenses. There shall be deducted from the aggregate amount so recoverable by the Shipowner the net balance, if any, remaining of any monies held by the Shipowner which would have been required by the terms hereof to have been paid to the Charterer but for the occurrence of an Event of Default or an event which with the lapse of time or the giving of notice, or both, would constitute an Event of Default.

(d) The rights of the Shipowner and the obligations of the Charterer under this Article 15 shall be effective and enforceable regardless of the pendency of any proceeding which has or might have the effect of preventing the Shipowner or the Charterer from complying with the terms of this Charter. No express or implied waiver by the Shipowner of any Event of Default shall in any way be, or be construed to be, a waiver of any further or subsequent Event of Default. The Shipowner shall in no event waive an Event of Default without there having first been made a Request for a waiver from the Charterer to the Shipowner. To the extent permitted by applicable law, the Charterer hereby waives any rights now or hereafter conferred by statute or otherwise which may require the Shipowner to sell, charter or otherwise use the Vessel in mitigation of the Shipowner's damages, except to the extent expressly set forth in this Article 15.

ARTICLE 16

[There is no Article 16]

ARTICLE 17

Taxes

(a) General Taxes. All payments by the Charterer in connection with the transactions contemplated by the Transaction Documents shall be free of withholdings of any nature whatsoever (and at the time that the Charterer is required to make any payment upon which any withholding is required, the Charterer shall pay an additional amount such that the net amount actually received by the Person entitled to receive such payment will, after such withholding, equal the full amount of the payment then due), except for withholdings arising by the fact that the Shipowner (or its Affiliates) has a presence in a foreign country or foreign territory, and shall be free of expense to each Indemnified Person for collection or other charges, and, whether or not any of the transactions contemplated hereby are consummated, the Charterer agrees to pay and assume liability for, and does hereby agree to indemnify, protect, defend and hold harmless on an after-tax basis each Indemnified Person from and against, all taxes, assessments, fees and charges, together with any penalties, fines, additions to tax or interest thereon, howsoever imposed, whether levied or imposed upon such Indemnified Person, the Charterer, the Vessel or any part thereof by any federal, state or local government or governmental subdivision or taxing authority in the United States, by any foreign country or subdivision thereof, by any other foreign or international taxing authority or by any other authority having or asserted to have jurisdiction to tax, upon or with respect to, the Vessel or any part thereof; the manufacture, construction, acceptance, rejection, transfer, control, operation, condition, servicing, maintenance, repair, abandonment, replacement, purchase, sale, ownership, delivery, non-delivery, leasing, insuring, possession, use, improvement, transfer of title, return or other disposition thereof; the rentals, receipts or earnings arising therefrom; the Transaction Documents or any payment made pursuant thereto; or otherwise in connection with the transactions contemplated by the Transaction Documents (all such taxes, assessments, fees, charges, penalties, fines, additions to tax and interest imposed as aforesaid, whether now existing or hereinafter enacted or adopted, being hereinafter called "Taxes"); excluding, however, (A) Taxes based on or measured by the net income of such Indemnified Person (other than (i) Taxes in the nature of or in lieu of sales, use or rental taxes; (ii) Taxes which, by the terms of the statute imposing such Taxes, expressly relieve the Charterer as a lessee from the payment of Taxes which it would otherwise be obligated to pay or indemnify; and (iii) Taxes upon or with respect to indemnification payments made pursuant to this Article 17) which are imposed on such Indemnified Persons by the United States or any state or political subdivision thereof or by any foreign country, in which such Indemnified Person has a place of business, (B) Taxes included in the Purchase Price, (C) Taxes resulting from the voluntary transfer by such Indemnified Person of any interest arising under the Transaction Documents or the Vessel (provided that a transfer required by the Transaction Documents shall not be considered a voluntary transfer) unless such transfer shall occur as a result of the Shipowner exercising its rights or remedies as a result of an Event of Default and, (D) any Tax attributable to the Vessel that is imposed with respect to any period after the expiration of the Charter Period with respect to the Vessel; provided, however, that this exception shall not apply to Taxes (including any interest, penalties, and additions to tax with respect thereto whether or not such amounts relate to a period after such expiration) relating to events occurring or matters arising prior to or simultaneously with such expiration.

(b) Contests; etc. If any claim is made against any Indemnified Person or if any proceeding is commenced against any Indemnified Person (including a written notice of

such proceeding) for any Taxes as to which the Charterer has an indemnity obligation pursuant to Article 17(a), such Indemnified Person shall promptly notify the Charterer. Without prejudice to any other rights the Charterer may have in connection therewith (including, without limitation, any claim for damages for a failure to give notice specified in the preceding sentence) , the parties agree that the failure to provide such notice shall not affect the Charterer's obligations hereunder to any Indemnified Person. If reasonably requested by the Charterer in writing and upon the reasonable determination by such Indemnified Person that the action to be taken will not result in any substantial risk of the imposition of a lien on or the forfeiture of the Vessel or any part thereof, such Indemnified Person shall, upon receipt of indemnity reasonably satisfactory to it and at the expense of the Charterer (including, without limitation, all costs, expenses, attorneys' and accountants' fees and disbursements, penalties and interest), in good faith contest the validity, applicability or amount of such Taxes by, in such Indemnified Person's sole discretion, (i) resisting payment thereof; (ii) not paying the same except under protest, if protest is necessary and proper; or (iii) if payment is made, using reasonable efforts to obtain a refund thereof in appropriate administrative and judicial proceedings. Any contest required pursuant to the immediately preceding sentence shall, at the option of such Indemnified Person, be conducted by such Indemnified Person or the Charterer in the name of the Charterer or such Indemnified Person. If any such contest involves payment of the Tax in question, the Charterer shall either make such payment directly to the appropriate authority or furnish to such Indemnified Person sufficient funds to make such payment. The Charterer agrees to give such Indemnified Person reasonable notice of any contest prior to the commencement thereof. If any Indemnified Person obtains a refund of all or any part of any Tax paid or reimbursed by the Charterer and if no Event of Default shall have occurred and be continuing, such Indemnified Person shall promptly pay to the Charterer the amount of such refund net of expenses not already paid or reimbursed by the Charterer; provided, however, that such amount shall in no event be payable before such time as the Charterer shall have made all payments and indemnities then due and payable under this Agreement to such Indemnified Person; provided further, however, that the aggregate amount of all payments with respect to any Taxes by such Indemnified Person pursuant to this sentence shall not exceed the aggregate amount of all payments made by the Charterer pursuant to Article 17(a) with respect to such Taxes. If, in addition to such refund such Indemnified Person shall receive an amount representing interest on the amount of such refund, the Charterer shall promptly be paid that portion of such interest that is fairly attributable to Taxes paid or reimbursed by the Charterer prior to the receipt of such refund. Nothing contained in this Article 17 shall require any Indemnified Person to contest or permit the Charterer to contest a claim which it would otherwise be required to contest or permit the Charterer to contest pursuant to this Article 17 if such Indemnified Person shall waive payment by the Charterer of any amount that might otherwise be payable by the Charterer under this Article 17 by way of indemnity in respect of such claim.

(c) Payments. All Taxes shall be paid when due and payable and all amounts payable as indemnities pursuant to this Article 17 shall be payable, to the extent not theretofore paid, on written demand by any Indemnified Person, but not earlier than the date payment of such Taxes shall be due. Notwithstanding any other provision of this Demise Charter, to the extent the Charterer shall be required to make any payment under this Article 17 (including under this Article 17(c)), the Charterer's payment or indemnity obligation shall also include any amount necessary to hold each Indemnified Person harmless from all Taxes required to be paid by such Indemnified Person with respect to such payment or indemnity (taking into account any current deduction to which the Indemnified Person may be entitled) Whenever any payment is to

be made by the Charterer under this Article 17 and it shall be necessary in calculating the amount of such payment, and any related payment pursuant to the preceding sentence, to compute the amount of any liability for Federal, state or local tax imposed on or measured by the net income of any Indemnified Person, such computation shall be based on the assumption that such taxes shall be payable at the highest marginal statutory rate in effect for the relevant period.

(d) Reports and Returns. In case any report or return shall be required to be made with respect to any obligations of the Charterer under or arising out of this Article 17, the Charterer shall (i) to the extent required or permitted by law, make and file in its own name such return, statement or report, and (ii) in the case of any other such return, statement or report required to be made in the name of any Indemnified Person, advise such Indemnified Person of such fact and prepare such return, statement or report for filing by such Indemnified Person or, where such return, statement or report shall be required to reflect items in addition to any obligations of the Charterer under or arising out of this Article 17, provide such Indemnified Person with information sufficient to permit such return, statement or report to be properly made with respect to any obligations of the Charterer under or arising out of this Article 17 (and the Charterer shall hold each Indemnified Person harmless from and against any liabilities, obligations, losses, damages, penalties, claims, actions, suits and reasonable costs arising out of any insufficiency or inaccuracy in any such return, statement, report or information).

(e) Definition of Indemnified Person. For purposes of this Article 17, the term Indemnified Person shall include the successors and assigns of each respective Indemnified Person, and for purposes of Federal income taxes, the affiliated group of corporations and each member thereof (within the meaning of Section 1504 of the Code) of which such Indemnified Person is or shall become a member, if such group shall file a consolidated United States Federal income tax return, and, for purposes of income or franchise taxes imposed by a particular state or local taxing jurisdiction, shall include any consolidated or combined group of which such Indemnified Person is or shall be a member that is treated as such by such state or local taxing jurisdiction.

(f) Receipts. The Charterer agrees to use its best efforts to obtain official receipts indicating the payment of all foreign Taxes that are subject to indemnification under this Article 17 and shall promptly send to the Indemnified Person each such receipt obtained by the Charterer.

(g) Ownership for Federal Income Tax Purposes. Shipowner and Charterer agree that Charterer and not Shipowner shall exclusively be recognized as the "owner" of the Vessel for United States income tax purposes and Shipowner agrees that neither Shipowner nor any Affiliate of Shipowner will take a contrary position on any tax return filed by Shipowner or such Affiliate without the prior written consent of Charterer.

ARTICLE 18

Indemnification and Expenses

Charterer does hereby assume liability for, and does hereby agree (whether or not any of the transactions contemplated hereby shall be consummated) to indemnify, protect, save and hold harmless and keep whole each Indemnified Person, in accordance with the method of

calculation set forth in Article 17(c) hereof, from and against any and all liabilities (including but not limited to liabilities arising out of the doctrine of strict liability), obligations, losses, damages, penalties, claims, actions, suits, judgments, costs, expenses and disbursements, whether any of the foregoing be founded or unfounded (including legal fees and expenses and costs of investigation), of whatsoever kind and nature (provided that this Article 18 shall not apply to indemnification for any tax other than any net additional income tax arising as a result of receipt of any indemnity payment pursuant to this Article 18) that may be imposed on, incurred by or asserted against any Indemnified Person, and in any way relating to or arising out of the Transaction Documents (including, without limitation, the performance of all obligations thereunder) including in connection with an Event of Loss, any Event of Default and terminations or any assignment thereof or sublease thereunder, or any amendments, waivers or consents of or with respect to any thereof required by Charterer (whether or not the same shall become effective) or requiring the consent of or execution by Charterer or resulting from any Event of Default under any Transaction Document to which Charterer is a party (whether or not any such amendment, waiver or consent shall become effective), or the construction, purchase, acceptance, rejection, ownership, delivery, non-delivery, possession, use, operation, leasing, subleasing, condition, maintenance, repair, sale, return, redelivery or other disposition of, or the imposition of any Lien (or incurrence of any liability to refund or pay over any amount as a result of any Lien) on, the Vessel acquired or proposed to be acquired by Shipowner hereunder (including, without limitation, any claim arising out of violations of applicable laws, latent or other defects, whether or not discoverable by Shipowner, Charterer or any other Person, and any claim for patent, trademark or copyright infringement), except only that the Charterer shall not be required pursuant to this Article 18 to indemnify:

(i) any Indemnified Person for loss or liability resulting solely from such Indemnified Person's own gross negligence or willful misconduct;

(ii) any Indemnified Person for any liability relating to the Vessel arising out of acts or events that occur after redelivery of the Vessel in accordance with Article 13 of the Demise Charter (other than a redelivery pursuant to Article 15 of this Demise Charter)

(iii) any Indemnified Person for loss or liability resulting from a disposition by the Shipowner of all or any part of its interest in the Vessel (other than during the continuance of an Event of Default);

(iv) any Indemnified Person for loss or liability resulting from the creation or existence of a Shipowner's Lien;

(v) any Indemnified Person for loss or liability for which the Charterer is specifically exempt from liability under the Transaction Documents;

(vi) any Indemnified Person for loss or liability arising out of the Shipowner's failure to continue to be subject to the same marginal corporate Federal income tax rate as applicable to it on the date hereof; or

(vii) any Indemnified Person for loss or liability arising from the Shipowner's ceasing to be qualified to own the Vessel while it is documented with a coastwise trade endorsement.

Upon request of such Indemnified Person, the defense of any claim referred to in the first sentence of this Article for which indemnity may be required shall be conducted by the Charterer.

ARTICLE 19

Miscellaneous

(a) Shipowner and Charterer severally agree to perform or cause to be performed such action, and to execute, deliver or furnish or to cause to be executed, delivered or furnished, all such further assurances, certificates, opinions and other documents necessary or proper to carry out this Demise Charter.

(b) No change in, or modification of, this Demise Charter or any Schedule hereto shall be effective unless agreed in writing by the parties hereto.

(c) The invalidity of any provision of this Demise Charter shall not affect the remainder hereof, which shall in such event be construed as if such invalid provision had not been inserted.

(d) The table of contents and headings of this Demise Charter are for purposes of convenient reference only, and shall in no way limit or otherwise affect any of the terms or provisions hereof.

(e) Subject to the provisions of Article 14, the terms of this Demise Charter shall be binding upon, and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

(f) All interest payments to be computed under this Demise Charter shall be computed on the basis of a 360-day year of twelve 30-day months.

(g) This Demise Charter shall be governed by and construed in accordance with the general maritime law of the United States and, to the extent applicable, the internal laws of the State of New York.

(h) All amounts payable hereunder by Charterer to Shipowner shall be paid in immediately available funds in to P.O. Box 6229, Carol Stream, Illinois 60197-6229, in the name of Citicapital Commercial Leasing Corporation (formerly known as Associates Leasing, Inc.), reference, VICKI M. McALLISTER, or as otherwise directed in writing (including to such bank account as may be specified) by Shipowner. All payments of Charter Hire or other amounts payable by Charterer hereunder not paid when due shall bear interest at the Default Rate.

(i) CHARTERER AND SHIPOWNER EACH HEREBY IRREVOCABLY CONSENTS AND AGREES THAT ANY LEGAL ACTION, SUIT, OR PROCEEDING ARISING OUT OF OR IN ANY WAY RELATING TO OR OTHERWISE IN CONNECTION WITH THIS DEMISE CHARTER MAY BE INSTITUTED OR BROUGHT IN THE COURTS OF THE STATE OF NEW YORK, IN THE COUNTY OF NEW YORK, OR IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AS

SHIPOWNER OR CHARTERER, AS THE CASE MAY BE, MAY ELECT, AND BY EXECUTION AND DELIVERY OF THIS DEMISE CHARTER, EACH OF THE SHIPOWNER AND THE CHARTERER HEREBY IRREVOCABLY ACCEPTS AND SUBMITS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, TO THE NON-EXCLUSIVE JURISDICTION OF ANY SUCH COURT, AND TO ALL PROCEEDINGS IN SUCH COURTS. EACH OF SHIPOWNER AND CHARTERER IRREVOCABLY CONSENTS TO SERVICE OF ANY SUMMONS AND/OR LEGAL PROCESS BY REGISTERED OR CERTIFIED UNITED STATES MAIL, POSTAGE PREPAID, TO SUCH PERSON AT THE ADDRESS SET FORTH IN ARTICLE 20 HEREOF, SUCH METHOD OF SERVICE TO CONSTITUTE, IN EVERY RESPECT, SUFFICIENT AND EFFECTIVE SERVICE OF PROCESS IN ANY SUCH LEGAL ACTION OR PROCEEDING. NOTHING IN THIS DEMISE CHARTER SHALL AFFECT THE RIGHT OF SHIPOWNER OR CHARTERER TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR LIMIT THE RIGHT OF SHIPOWNER TO BRING ACTIONS, SUITS OR PROCEEDINGS WHETHER IN REM-IN PERSONAM, IN LAW, EQUITY, ADMIRALTY OR OTHERWISE IN THE COURTS OF ANY OTHER JURISDICTION. EACH OF CHARTERER AND SHIPOWNER FURTHER AGREES THAT FINAL JUDGMENT AGAINST IT IN ANY SUCH LEGAL ACTION, SUIT OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION, WITHIN OR OUTSIDE THE UNITED STATES OF AMERICA, BY SUIT ON THE JUDGMENT, A CERTIFIED OR EXEMPLIFIED COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND THE AMOUNT OF THE LIABILITY.

(j) SHIPOWNER AND CHARTERER EACH IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING IN ANY WAY RELATING TO THIS AGREEMENT AND ANY COUNTERCLAIM THEREIN.

(k) This Demise Charter is not a personal contract. Shipowner and Charterer shall have the benefit of all limitations of, and exemptions from, liability accorded to the owner or chartered owner of vessels by any statute or rule of law for the time being in force.

ARTICLE 20

Notices

All notices and other communications hereunder shall be in writing and shall, unless otherwise provided herein, be (i) delivered or mailed postage prepaid, (ii) personally delivered, (iii) sent by telecopy (confirmed by personal delivery, mail or overnight courier) or (iv) sent by overnight courier, and addressed as follows:

To Shipowner:

CITICAPITAL COMMERCIAL LEASING CORPORATION
(formerly known as Associates Leasing, Inc.)
250 East Carpenter Freeway
Irving, Texas 75002
Attention: Joseph M. Pitch

Vice President
Telecopy: 972-652-3297

with a copy to:

CITICAPITAL COMMERCIAL LEASING CORPORATION
(formerly known as Associates Leasing, Inc.)
250 East Carpenter Freeway
Irving, Texas 75002
Attention: Robert Joven, Esq.
Associate General Counsel
Telecopy: 972-652-1061

To Charterer:

McAllister Towing and Transportation Company, Inc.
17 Battery Place, Suite 1200
New York, New York 10004
Attention: Brian McAllister, President
Telecopy: 212-509-1147

with a copy to:

Messrs. Healy & Baillie, LLP
29 Broadway

New York, New York 10006

Attention: Glen T. Oxton, Esq.
Telecopy: 212-425-0131

or, as to each party, at such other address as shall be designated by such party in a written notice to the other Persons named above. All notices shall be effective upon receipt.

IN WITNESS WHEREOF, the parties have caused this Demise Charter to be signed as of the day and year first above written.

CITICAPITAL COMMERCIAL
LEASING CORPORATION
(formerly known as Associates Leasing, Inc.)

By: Joseph M. Pitch
Its: V.P.
Name: Joseph M. Pitch

McALLISTER TOWING AND
TRANSPORTATION CO., INC.

By: Eric McAllister
Its: Vice President
Name: Eric McAllister

STATE OF TEXAS)
) SS.:
COUNTY OF DALLAS)

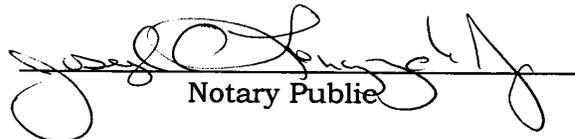
Before me, Preshelia Thompson, a notary public, on this day personally appeared Joseph M. Pitch, known to me to be the person whose name is subscribed to the foregoing instrument, and known to me to be the Vice President of Citicapital Commercial Leasing Corporation, a corporation, and acknowledged to me that he executed said instrument for the purposes and consideration therein expressed, and as the act of said corporation. Given under my hand and seal of office, this 27th day of December, 2001.



Preshelia Thompson
Notary Public

STATE OF NEW YORK)
) SS.:
COUNTY OF NEW YORK)

On the 27th day of December, 2001, before me personally came Eric McAllister, to me known, who, being by me duly sworn, did depose and say that he resides at 332 East 84th Street, New York, New York 10028; that he is the Vice President and Treasurer of the corporation described in and which executed the above instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.


Notary Public

JOSEPH A. LENCZYCKI, JR.
NOTARY PUBLIC, State of New York, No. 604623017
Qualified in Westchester County
Certificate Filed in New York County
Commission Expires March 30, 19~~20~~03

SCHEDULE A

Definitions

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

"Appraisal Procedure" means the procedure specified in the succeeding sentences for determining an amount or value hereunder. The parties shall consult for the purpose of determining such amount or value by mutual agreement. In the absence of such agreement either party may give written notice to the other requesting determination of such amount or value by appraisal and in such event the parties shall consult for the purpose of appointing a mutually acceptable qualified independent appraiser. If the parties are unable to agree on an appraiser within twenty days of the giving of such notice, such amount or value shall be determined by each of two independent appraisers, one of whom shall be selected by the Charterer and the other of whom shall be selected by the Shipowner, on or before the twenty-first day following the giving of such notice. If the determination made by the appraiser reaching the greater value does not exceed the lower value by more than ten percent of the lower value, the two values shall be averaged and such determination shall constitute the determination of the appraisers. If such excess shall be greater than ten percent of the lower value, a third appraiser shall be selected by the two appraisers or by the Society of Maritime Arbitrators, Inc., if the other two are unable to agree upon a third appraiser within ten days. The third appraiser shall make his determination within fifteen days of his appointment. Of the three appraisals, the determination of the appraiser which differs most from the other two appraisers shall be excluded, the remaining two determinations shall be averaged and such average shall constitute the determination of the appraisers.

"Assumption Agreement" shall have the meaning set forth in Section 5.1(f) of the Investment Agreement.

"Basic Hire" shall mean 96 payments of Charter Hire (subject to the provisions of Article 10 of the Demise Charter) payable on each Basic Hire Payment Date. Each of the ninety six (96) payments of Basic Hire shall be in the amount of \$50,955.52, which is 1.132345% of the Purchase Price.

"Basic Hire Payment Date" shall mean, subject to the provisions of Article 10 of the Demise Charter, those certain 96 dates the first of which shall be the Delivery Date, the second of which shall be February 1, 2001, and the succeeding 94 of which shall be the consecutive monthly anniversaries of February 1, 2001; provided, however, that if a Basic Hire Payment Date is not a Business Day, the Basic Hire Payment payable by Charterer on such Basic Hire Payment Date shall be made at the opening of business on the next following Business Day; and provided further that the 96th payment of Basic Hire as well as the first payment of Basic Hire shall be due and payable on the Delivery Date.

"Bill of Sale" shall mean that certain Bill of Sale of the Vessel transferring title of the Vessel from Charterer to Shipowner in form suitable for recording and redocumentation of the Vessel with the USCG in the name of the Shipowner with coastwise and registry endorsements.

"Business Day" shall mean a day which is not a Saturday, Sunday, or other day on which banking institutions doing business in the States of New York or Texas are authorized or obligated by law or executive order to remain closed.

"Certificate of Delivery And Acceptance" shall mean that certain Certificate substantially in the form of **Schedule E-1** annexed to the Demise Charter and made a part thereof whereby Shipowner accepts delivery of the Vessel from Charterer under the Investment Agreement.

"Change in Control" shall have the meaning given to such term in the Credit Agreement.

"Charter" shall mean a subcharter of the Vessel on a time or voyage charter basis or a contract of affreightment, transportation agreement, bareboat charter or similar agreement entered into by the Charterer as demise charterer under the Demise Charter in accordance with the provisions of Article 14(c) of the Demise Charter.

"Charter Hire" shall mean Basic Hire and Supplemental Hire.

"Charter Period" shall mean the Term plus a period of time, if any, necessary for the completion of the Voyage in which the Vessel is engaged at the end of the Term and an additional period, if any, as shall be reasonably required to effect Redelivery; provided, however, that the Charter Period shall not exceed the Term by more than 60 days, absent force majeure.

"Charterer" shall mean McAllister Towing and Transportation Company, Inc., a Delaware corporation, together with its permitted successors and assigns under the Demise Charter.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Consent" when used with respect to any party to any of the Transaction Documents shall mean a written consent of such party executed by a Responsible Officer thereof.

"Control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Credit Agreement" shall mean that certain Second Amended Loan and Security Agreement dated as of April 28, 2000 (as at any time amended, supplemented or modified) among the Charterer and fourteen of Charterer's direct or indirect subsidiaries as borrowers, the financial institutions from time to time named therein as lenders, LaSalle Business Credit, Inc. ("LaSalle") and Fleet National Bank ("Fleet") as co-agents for the lenders, and LaSalle as administrative and collateral monitoring agent.

"Credit Agreement Consent" shall mean that certain consent issued by LaSalle and Fleet to the Transaction Documents.

"Credit Agreement Event of Default" shall mean "Event of Default" as defined in the Credit Agreement, it being the intention that a Credit Agreement Event of Default that has not been "waived" (as defined in the Credit Agreement) shall constitute an Event of Default under the Demise Charter.

"Crew's Wages" shall mean crew's wages, including the wages of the master, to the extent provided by Public Law 90-293, approved April 25, 1968.

"Default Interest Rate" shall mean an interest rate per annum of twelve percent (12.00%).

"Delivery" shall mean the delivery of the Vessel by Shipowner to Charterer under the Demise Charter on the Delivery Date which shall be concurrent as to time and place with delivery of the Vessel from Charterer to Shipowner under the Investment Agreement.

"Delivery Date" shall mean the date and time on which concurrently (i) Charterer delivers and Shipowner accepts the Vessel pursuant to the Investment Agreement and (ii) Shipowner delivers and Charterer accepts the Vessel pursuant to Article 2 of the Demise Charter.

"Demise Charter" shall mean the Demise Charter of which this Schedule A forms a part, between the Shipowner and the Charterer, providing for the demise charter by the Charterer from the Shipowner of the Vessel, as originally executed or as modified, amended or supplemented in accordance with the applicable provisions thereof.

"Demise Charter Certificate of Delivery and Acceptance" shall mean that certain Certificate substantially in the form of Schedule E-2 annexed to the Demise Charter and made a part thereof whereby Charterer irrevocably and unconditionally accepts delivery of the Vessel under the Demise Charter simultaneously with the acceptance of the Vessel by Shipowner from Charterer.

"Dollars" shall mean 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, and shall be represented by the sign "\$".

"Environmental Lien" shall have the meaning set forth in Section 4.1(q) (i) of the Investment Agreement.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Affiliate" shall mean each "person" (as defined in Section 3(9) of ERISA) which is under "common control" with the Charterer or any of its Subsidiaries (within the meaning of Section 414(b), (c), (n) or (o) of the Code).

"Event of Default" shall mean any of the Events of Defaults specified in Article 15(a) of the Demise Charter.

"Event of Loss" shall mean any of the following events occurring during the Charter Period: the actual or constructive total loss of the Vessel, which shall include damages to an extent determined in good faith by the Charterer, and accepted by the Vessel's underwriters, to make repairs uneconomical or to render the Vessel unfit for normal use or the compromised or agreed total loss (as determined in accordance with the Vessels' Policies of Insurance) of the Vessel during the Charter Period (even though the Charterer shall have been deprived of, or limited in, the use of the Vessel in any respect at the time of such loss by reason of any act or omission of the Shipowner), or the requisition of the title to

or other compulsory acquisition of the Vessel otherwise than by a requisition for use of the Vessel as described in Article 12 of the Demise Charter, or the capture, seizure, arrest (other than by reason of a claim, the failure of Charterer to discharge which, would constitute an Event of Default under the Demise Charter), detention by the operation of political or executive act or confiscation of the Vessel by any government or Persons acting or purporting to act on behalf of any government unless the Vessel be released and restored to the Shipowner or Charterer, as the case may be, from such requisition, capture, seizure, arrest, detention or confiscation within ninety (90) days after the occurrence thereof. An Event of Loss shall be deemed to have occurred (i) in the event of an actual total loss of the Vessel, on the date of such loss or, in the case of the disappearance of the Vessel, on the thirtieth day following the date the Vessel was last heard from; (ii) in the event of a constructive total loss or in the case of a compromised or agreed total loss, on the date agreed upon by underwriters; or (iii) in the case of a requisition, capture, seizure, arrest, detention or confiscation from which the Vessel is not released and restored to the Shipowner, on the ninetieth (90th) day following the occurrence thereof.

“Excluded Cargoes” shall mean the carriage as cargo of (a) “oil” of any kind or in any form including, but not limited to, fuel oil, sludge, oil refuse, and oil mixed with wastes, petroleum, including crude oil or any fraction thereof, which is specifically listed or designated as a hazardous substance under subparagraphs (A) through (F) of section 101(14) of the Comprehensive Environmental Response, Compensation, and Liability Act (42 United States Code §9601) and which is subject to the provisions of that Act [42 United States Code §9601 et seq.] and (b) any “hazardous substance,” which, for purposes of this definition of “Excluded Cargoes” shall mean any substance or mixture of substances which (i) is toxic, (ii) is corrosive, (iii) is an irritant, (iv) is a strong sensitizer, (v) is flammable or combustible, or (vi) generates pressure through decomposition, heat, or other means, if such substance or mixture of substances may cause substantial personal injury or substantial illness during or as a proximate result of any customary or reasonably foreseeable handling or use. Anything in the immediately preceding sentence to the contrary notwithstanding, the term “Excluded Cargoes” shall not include (i) coal of any kind or in any form or scrap metal of any kind or in any form or petroleum coke, fertilizer or non petroleum based sludge, or dry bulk unprocessed, semi processed or processed ores; (ii) any material carried on board to be used as fuel or a lubricant or that is necessary for the maintenance of the Vessel; and (iii) any other material which the Shipowner shall from time to time expressly exclude from the term “Excluded Cargoes” in a Consent delivered to Charterer. The term “Excluded Cargoes” shall not apply to any cargoes carried in vessels or barges under tow or the subject of harbor movements by the Vessel.

“Fair Market Bareboat Charter Value” and “Fair Market Sales Value” shall

mean, respectively, the fair market value which would be realized by the owner of the Vessel for a bareboat charter or upon a sale of the Vessel, determined by an Appraisal Procedure. For purposes of this Demise Charter, fair market value shall be determined on the basis of, and shall be equal in amount to, the value which would be obtained in an arm's length transaction between an informed and willing charterer or buyer, as the case may be, of the Vessel for use as a U.S. -flag vessel eligible to engage in the coastwise trade of the United States (other than a charterer or buyer currently in possession) and an informed and willing lessor or seller under no compulsion to charter or sell and, in such determination, any costs of removal from the location of current use shall not be a deduction from fair market value, provided, however, that the determinations of Fair Market Bareboat Charter Value and Fair Market Sales Value for purposes of Article 15 of the Demise Charter shall be based upon the actual condition of the Vessel at the time of such determination and shall take into account any legal impediments to the prompt sale or chartering of such Vessel, including, without limitation, the existence of any Charter of the Vessel which cannot be promptly terminated.

"Federal Bankruptcy Code" shall mean the United States Bankruptcy Code, Title 11 United States Code, as amended.

"Fees, Taxes and/or Other Charges" shall mean any and all fees (including, without limitation, documentation, license and registration fees) and any and all taxes (including, without limitation, income, gross receipts, franchise, sales, use, personal property (tangible or intangible), stamp and interest equalization taxes, levies, imposts, duties, charges or withholdings of any nature whatsoever, together with any and all penalties, fines or interest thereon.

"Final Purchase Amount" shall mean 50% of the Purchase Price.

"Fleet" shall have the meaning set forth in the definition of Credit Agreement.

"GAAP" shall mean generally accepted accounting principles as in effect in the United States, consistently applied.

"Hazardous Material" shall mean Excluded Cargoes.

"Indemnified Persons" shall mean Shipowner, all Affiliates of the Shipowner, and their respective officers, directors, agents, servants, employees, and their successors and assigns.

"Institute Warranties and Clauses" shall mean the trading warranty clauses in general use and promulgated by the American Institute of Marine Underwriters

or the Institute of London Underwriters or other underwriters approved in accordance with the provisions of Article 9 of the Demise Charter, whichever is applicable with respect to United States placed or foreign placed hull insurance.

"Insurances Assignment" shall mean that certain Assignment of Insurances substantially in the form of **Schedule C** annexed to the Demise Charter and made a part thereof whereby Charterer assigns to Shipowner all of its right, title and interest in, to, and under, all Policies of Insurance.

"Investment Agreement" shall mean that certain Investment and Sale Agreement dated as of the date of the Demise Charter to which this **Schedule A** is annexed by and between the Shipowner and the Charterer, providing, among other things, for the agreement of the Shipowner to purchase the Vessel from the Charterer and of the Charterer concurrently therewith to enter into the Demise Charter and to accept delivery of the Vessel from the Shipowner under the Demise Charter.

"LaSalle" shall have the meaning set forth in the definition of Credit Agreement.

"Liens" shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any capitalized lease having substantially the same economic effect as any of the foregoing), or rights of others.

"Multiemployer Plan" shall mean any multiemployer plan (within the meaning of Section 3(37) of ERISA) to which either the Charterer, any Subsidiary, or any ERISA Affiliate has an obligation to contribute.

"Notice" shall mean any written notice given by one Person to any other Person or Persons in the manner set forth in one or the other of the manners set forth in the notice provisions of any applicable Transaction Document.

"Obligations" shall mean the obligations of the Charterer under, pursuant or relating to, the Transaction Documents.

"Officer's Certificate" shall mean, when used with respect to any corporation, a certificate signed by the chairman of the board, the managing director, any director, the president, any vice president, the secretary, or the treasurer of such corporation.

"Opinion of Counsel" shall mean the opinion of Messrs. Healy & Baillie, LLP, counsel to Charterer in form and substance acceptable to counsel for the Shipowner.

"Permitted Liens" shall mean (1) liens for crew's wages and salvage (including contract salvage), general average and damages arising out of maritime torts which are either unclaimed or covered by insurance, (2) liens incident to current operations and not more than 30 days past due unless the same are being contested in good faith by Charterer and Charterer has set aside adequate reserves in accordance with GAAP with respect to same, (3) liens for wages of a stevedore when employed directly by the Vessel, Charterer, or the master of the Vessel, (4) liens covered by insurance and any deductible applicable thereto, (5) the Demise Charter to the extent only of Charter Hire paid but not yet earned, (6) the Insurances Assignment, (7) liens for repairs or for changes made to the Vessel to comply with law, or in accordance with Article 6 of the Demise Charter, provided that any liens permitted by this clause (7) shall be discharged in the ordinary course of business of Charterer and in any event shall secure claims not more than 30 days past due unless the same are being contested in good faith by Charterer and Charterer has set aside adequate reserves in accordance with GAAP with respect to the same, (8) the encumbrances, if any, constituted by the Demise Charter, (9) the encumbrances constituted by the Charters, and (10) Liens permitted to be created by Shipowner in accordance with the terms of the Demise Charter.

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

"Plan" shall mean any employee benefit plan (within the meaning of Section 3(3) of ERISA) maintained or contributed to by Charterer, any Subsidiary, or any ERISA Affiliate, other than a Multiemployer Plan.

"Policies of Insurance" and "Policies" shall mean all cover notes, binders, policies of insurance and certificates of entry in protection and indemnity associations, clubs or syndicates with respect to the Vessel including all endorsements and riders to any thereof.

"Purchase Price" shall mean \$4,500,000.00.

"Redelivery" shall mean redelivery of the Vessel by the Charterer to the Shipowner upon the termination of the Charter Period free and clear of all liens, encumbrances and rights of others for which Charterer is responsible under the

terms of the Demise Charter and in all respects in the condition required by the Demise Charter, and the term "Redeliver" shall have a meaning correlative to the foregoing. The term "Redelivery" shall include retaking of the Vessel in accordance with Article 15(b)(i) of the Demise Charter.

"Request" shall mean a written request to a Person for the action therein specified, signed when made by any Person by the chairman of the board, the president, any vice president, the secretary, or the treasurer of such Person.

"Responsible Officer" shall mean with respect to any Person the chairman of the board, the president, any vice president, the secretary, or treasurer of such Person.

"Shipbuilder" shall mean Eastern Shipbuilding Group, Inc. of Panama City, Florida.

"Shipowner" shall mean Citicapital Commercial Leasing Corporation, an Indiana corporation formerly known as Associates Leasing, Inc., together with its permitted successors and assigns.

"Shipowner's Liens" shall have the meaning set forth in Article 9(k) of the Demise Charter.

"Shipping Act" shall mean the Shipping Act, 1916, as at any time amended, Title 46, United States Code, §801 et seq., or any successor statute thereto.

"Single Employer Plan" shall mean any Plan that is subject to Title IV of ERISA.

"STB" shall mean the United States Surface Transportation Board.

"Stipulated Loss Value" shall mean at any date during the Term, if such date is a Basic Hire Payment Date, the amount set forth opposite such Date under the heading "Stipulated Loss Value" on **Schedule B** to the Demise Charter and if such date is not a Basic Hire Payment Date the amount set forth opposite the date next preceding such date under the heading "Stipulated Loss Value" on said **Schedule B** plus interest (at 10.00% per annum) on such amount from such date to the date of payment of the Stipulated Loss Value.

"Subsidiary" shall mean any corporation, association, trust, or other business entity of which the designated parent shall at any time own directly or indirectly through a Subsidiary or Subsidiaries at least a majority (by number of

votes) of the outstanding voting stock or shall otherwise have a majority interest therein.

"Supplemental Hire" shall mean all amounts at any time payable to Shipowner under or pursuant to the terms of the Demise Charter other than Basic Hire, including, without limitation, interest on late payments, payments on accounts of indemnities, legal fees, expenses of investigation, out-of-pocket expenses, and all other amounts of whatsoever kind and nature payable under, pursuant to, or by reason of the Demise Charter or any provision thereof, but excluding Basic Hire.

"Surviving Corporation" shall have the meaning as set forth in Section 5.1(f) of the Investment Agreement.

"Taxes" shall have the meaning set forth in Article 17 of the Demise Charter and Section 5.3 of the Investment Agreement.

"Term" shall mean a period commencing with the Delivery Date, and ending on the day immediately preceding the eighth anniversary of the Delivery Date provided, however, that the Term shall end prior to said day in the event of a termination thereof in accordance with Articles 10 or 15 of the Demise Charter.

"Termination Event" shall mean (a) a "reportable event" (as defined in ERISA) (b) the withdrawal by the Charterer or any ERISA Affiliate from a Single Employer Plan during a plan year in which it was a substantial employer (within the meaning of Section 4001 (a) (2) or 4062(e) of ERISA), (c) the termination of, or the filing of a notice of intent to terminate, a Single Employer Plan under Section 4041(c) of ERISA, (d) the institution of proceedings to terminate, or the appointment of a Escrow Agent with respect to, a Single Employer Plan by the PBGC, (e) any other event or condition which could constitute grounds under Section 4042(a) of ERISA for the termination of, or the appointment of a Escrow Agent to administer, any, Single Employer Plan, or (f) the imposition of a Lien pursuant to Section 412 of the Code or Section 302 of ERISA as to the Charterer or any ERISA Affiliate.

"Third Party Sale" shall have the meaning set forth in Article 10 (a) of the Demise Charter.

"Transaction Costs" shall have the meaning set forth in Article VI of the Investment Agreement.

"Transaction Documents" shall mean the Demise Charter, the Investment Agreement, the Credit Agreement Consent, the Insurances Assignment, the Certificate of Delivery and Acceptance, the Demise Charter Certificate of Delivery

and Acceptance, the Bill of Sale for the Vessel from the Charterer to the Shipowner, the Opinion of Counsel, including any and all schedules and exhibits thereto, and all other certificates, affidavits, applications, agreements, writings and documents in any way pertaining to any of the transactions referred to in the foregoing enumerated documents, and "Transaction Document" shall mean any of the foregoing.

"U.S.C." shall have the meaning set forth in Article 3(c) of the Demise Charter.

"USCG" shall mean the United States Coast Guard, Department of Transportation, or any successor agency thereto.

"Vessel" shall mean that certain unclassified United States Flag tug, built in 2001 at by Eastern Shipbuilding Group, Inc., of Panama City, Florida, and shall include, subject to Sections 5(c), 6(b) and 6(c) of the Demise Charter, all of her engines, boilers, machinery, masts, boats, anchors, cables, chains, rigging, tackle, apparel, furniture, capstans, outfit, tools, pumps, pumping and other equipment, gear, furnishings, appliances, fittings and spare and replacement parts and all other appurtenances to said vessel appertaining or belonging, 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 vessel or any part thereof, including all items and appurtenances as aforesaid, said vessel presently being named VICKI M. McALLISTER and documented under United States flag with coastwise and registry endorsements under Official No. 1112731.

"Voyage" shall mean the period of time from departure of the Vessel from her dispatching port or mooring until completion of her towing or harbor assistance operation and her return to the port or mooring designated by the Charterer's dispatcher.

SCHEDULE B
Stipulated Loss Values

Charter Hire Payment No.	Stipulated Loss Values %
1	102.735310%
2	102.618049%
3	102.243410%
4	101.863886%
5	101.483930%
6	101.101246%
7	100.717749%
8	100.331195%
9	99.939698%
10	99.547332%
11	99.151877%
12	98.751434%
13	98.350067%
14	97.945577%
15	97.536055%
16	97.121476%
17	96.705729%
18	96.286670%
19	95.866415%
20	95.442830%
21	95.014118%
22	94.584151%
23	94.150818%
24	93.712310%
25	93.272485%
26	92.829258%
27	92.380807%
28	91.927105%
29	91.471821%
30	91.012926%
31	90.552416%
32	90.088276%
33	89.618807%
34	89.147659%
35	88.672840%
36	88.192640%
37	87.710693%
38	87.225036%
39	86.733944%
40	86.237390%
41	85.738798%
42	85.236268%
43	84.731664%
44	84.223099%
45	83.708985%
46	83.192725%
47	82.672460%
48	82.146589%
49	81.618498%
50	81.086360%

SCHEDULE B
Stipulated Loss Values

51	80.548555%
52	80.005057%
53	79.459022%
54	78.908689%
55	78.355777%
56	77.798542%
57	77.235516%
58	76.669832%
59	76.099778%
60	75.523869%
61	74.945223%
62	74.362157%
63	73.773173%
64	73.178242%
65	72.580225%
66	71.977516%
67	71.371674%
68	70.761110%
69	70.144491%
70	69.524653%
71	68.900041%
72	68.269304%
73	67.635261%
74	66.996391%
75	66.351325%
76	65.700034%
77	65.045056%
78	64.384952%
79	63.721107%
80	63.052103%
81	62.376755%
82	61.697570%
83	61.013170%
84	60.322348%
85	59.627595%
86	58.927567%
87	58.221041%
88	57.507984%
89	56.790539%
90	56.067455%
91	55.339921%
92	54.606711%
93	53.866837%
94	53.122409%
95	52.372242%
96	52.747672%
and thereafter	50.000000%

ASSIGNMENT OF INSURANCES

THIS ASSIGNMENT dated as of December 27, 2001 from McALLISTER TOWING AND TRANSPORTATION COMPANY, INC. ("McAllister"), a Delaware corporation, to CITICAPITAL COMMERCIAL LEASING CORPORATION, ("Citicapital"), an Indiana corporation formerly known as Associates Leasing, Inc.

WITNESSETH:

W H E R E A S:

1. McAllister is the demise charterer and operator of the United States Flag towing vessel VICKI M. McALLISTER, Official No. 1112731 (the "Vessel") , documented in the name of Citicapital.

2. This Assignment is supplemental to a Demise Charter of even date herewith (the "Demise Charter") whereby Citicapital demise chartered the Vessel to McAllister and McAllister agreed to assign to Citicapital absolutely (subject to the rights of McAllister under and pursuant to the Demise Charter) (i) payment of all amounts at any time and from time to time payable by McAllister to Citicapital pursuant to any provision of the Demise Charter or the other "Transaction Documents" (as defined in the Demise Charter), and (ii) the due and punctual performance and observance by McAllister of all the terms, covenants and conditions contained in the Demise Charter and the other Transaction Documents.

NOW, THEREFORE, in consideration of the premises, the parties hereto hereby agree as follows:

1. McAllister hereby assigns to Citicapital all of McAllister's right, title and interest in and to all policies and contracts of insurance (including, without limitation, all entries in any protection and indemnity or war risks associations, hull and other insurances) which are from time to time taken out in respect of the Vessel, its freights, disbursements, profits or otherwise and all the benefits thereof including all claims and return of premiums (all of which are hereinafter called the "Insurances").

Schedule C

2. Anything contained herein to the contrary notwithstanding, McAllister shall remain liable for all obligations in connection with the Insurances (including, without limitation, the payment of all premiums and calls with respect thereto) and Citicapital shall have no obligation or liability whatsoever with respect to the Insurances by reason of, or arising out of, this Assignment and shall not be required to present or file any claim or take any other action of any kind at any time with respect to the Insurances. Nothing contained in this Assignment (whether under this paragraph 2 or otherwise) shall be interpreted or construed to limit or impair the terms and provisions of the Demise Charter and in the event of any conflict between the terms or provisions hereof and the terms and provisions of the Demise Charter, the terms and provisions of the Demise Charter shall control (including without limitation those relating to the right of the Assignor to make proofs of claim and the distribution of, and rights to, loss proceeds).

3. McAllister agrees that it will forthwith give, or cause its broker to give, notice in the form attached hereto of this Assignment to all insurers, underwriters, clubs and associations with respect to the Insurances.

4. McAllister does hereby constitute Citicapital, its successors and assigns, McAllister's true and lawful attorney, irrevocably, with full power (in the name of McAllister or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all monies or claims for monies due and to become due in connection with Insurances, to settle or compromise any claim thereunder, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which to Citicapital may seem necessary or advisable subject to the rights of McAllister to file certain proofs of claims and compromise losses provided no Event of Default under the Demise Charter shall have occurred and be continuing. McAllister further agrees that at any time and from time to time, upon the reasonable written request of Citicapital, McAllister will promptly and duly execute and deliver any and all such further instruments and documents as Citicapital may request in obtaining the full benefits of this Assignment and the rights and powers herein granted or purported to be granted.

5. McAllister covenants and warrants that it has not assigned, charged or pledged, and that it will not hereafter without the prior written consent of Citicapital, assign, charge or pledge the whole or any part of the Insurances to anyone other than Citicapital.

6. This Assignment shall be governed by and construed in accordance with the internal laws of the State of New York, United States of America.

IN WITNESS WHEREOF, the undersigned has executed this Assignment as
of the day and year first above written.

McALLISTER TOWING AND
TRANSPORTATION COMPANY, INC.

By: _____
Name:
Title:

CERTIFICATE OF DELIVERY AND ACCEPTANCE

THE UNDERSIGNED, CITICAPITAL COMMERCIAL LEASING CORPORATION, an Indiana corporation formerly known as Associates Leasing, Inc. ("Shipowner"), and McALLISTER TOWING AND TRANSPORTATION COMPANY, INC. a Delaware corporation ("Charterer"), DO HEREBY CERTIFY that the United States flag vessel VICKI M. McALLISTER, Official No. 1112731 ("Vessel"), was duly delivered by Charterer to Shipowner and duly accepted by Shipowner from Charterer on December 27, 2001 at _____ hours, New York time, under and in accordance with the terms and provisions of that certain Investment and Sale Agreement (the "Investment Agreement") between Shipowner and Charterer dated as of the date hereof, the Vessel then being safely afloat at _____.

Shipowner hereby irrevocably and unconditionally accepts delivery of the Vessel under said Investment Agreement.

IN WITNESS WHEREOF, the undersigned have caused this Certificate to be duly executed and delivered by their respective corporate officers or representatives thereunto duly authorized this 27th day of December, 2001

CITICAPITAL COMMERCIAL LEASING CORPORATION (formerly known as Associates Leasing, Inc.)

McALLISTER TOWING AND TRANSPORTATION COMPANY, INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

Schedule E-1

CERTIFICATE OF DELIVERY AND ACCEPTANCE

THE UNDERSIGNED, CITICAPITAL COMMERCIAL LEASING CORPORATION, an Indiana corporation formerly known as Associates Leasing, Inc. ("Shipowner"), and McALLISTER TOWING AND TRANSPORTATION COMPANY, INC., a Delaware corporation ("Charterer"), DO HEREBY CERTIFY that the United States flag vessel VICKI M. McALLISTER, Official No. 1112731 ("Vessel"), was duly delivered by Shipowner to Charterer and duly accepted by Charterer from Shipowner on December 27, 2001 at _____ hours, New York time, under and in accordance with the terms and provisions of that certain Demise Charter (the "Demise Charter") between Shipowner and Charterer dated as of the date hereof, the Vessel then being safely afloat at _____.

Charterer hereby irrevocably and unconditionally accepts delivery of the Vessel under said Demise Charter.

IN WITNESS WHEREOF, the undersigned have caused this Certificate to be duly executed and delivered by their respective corporate officers or representatives thereunto duly authorized this 27th day of December, 2001

CITICAPITAL COMMERCIAL LEASING CORPORATION (formerly known as Associates Leasing, Inc.)

McALLISTER TOWING AND TRANSPORTATION COMPANY, INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

Schedule E-2