

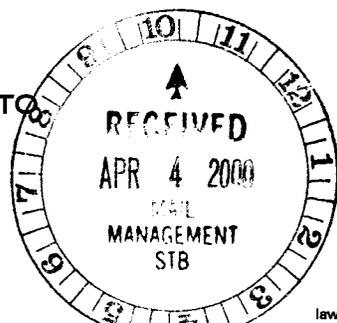
APR 1 0 00

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March 31, 2000

Via Federal Express

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

RECORDATION NO W-58 FILED

APR 1 0 00 12-22 PM

SURFACE TRANSPORTATION BOARD

Re: SUSAN MORAN Transaction

Dear Secretary:

I am a member of the firm of Gilmartin, Poster & Shafto, attorneys representing The CIT Group/Equipment & Financing, Inc. in connection with a transaction involving the U.S. flag coastwise tug vessel, SUSAN MORAN, Official Number 1094074.

I have enclosed an original and one original 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 March 27, 2000, a primary document, between The CIT Group/Equipment & Financing, Inc., as Shipowner, and Moran Towing Corporation, as Charterer, of the U.S. flag towing vessel named SUSAN MORAN, Official Number 1094074, and

(b) Bill of Sale ("Bill of Sale") dated as of March 27, 2000, a secondary document, executed by Moran Towing Corporation, as Seller, in favor of The CIT Group/Equipment & Financing, Inc., as Transferee, in respect of the U.S. flag towing vessel named SUSAN MORAN, Official Number 1094074.

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**

The CIT Group/Equipment & Financing, Inc.
1540 West Fountainhead Parkway
Tempe, Arizona 05282

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

Moran Towing Corporation
2 Greenwich Plaza
Greenwich, Connecticut 06830

A description of the equipment covered by the documents follows:

U.S. flag towing vessel named SUSAN MORAN, Official
No. 1094074.

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

With respect to the Demise Charter

Demise Charter dated as of March 27, 2000 between The CIT Group/Equipment & Financing, Inc., 1540 West Fountainhead Parkway, Tempe, Arizona 05282, Shipowner, and Moran Towing Corporation, Charterer, 2 Greenwich Plaza, Greenwich, Connecticut 06830, in respect of the U.S. flag towing vessel named SUSAN MORAN, Official No. 1094074.

With respect to the Bill of Sale

Bill of Sale dated as of March 27, 2000 as executed by Moran Towing Corporation, 2 Greenwich Plaza, Greenwich, Connecticut 06830, in favor of The CIT Group/Equipment Financing, Inc., and covering the U.S. flag towing vessel named SUSAN MORAN, Official No. 1094074.

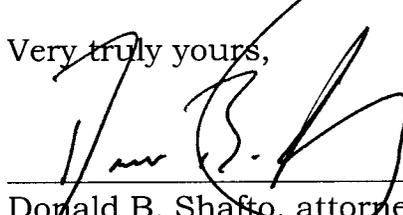
A fee of \$52.00 is enclosed.

Please return to us via Federal Express, at our expense using the enclosed Federal Express Airbill bearing our account number:

(a) the extra receipt copy of this letter provided herewith as signed by you to confirm receipt and

(b) any copies of documents not needed by the Board for recordation as stamped to confirm filing.

Very truly yours,

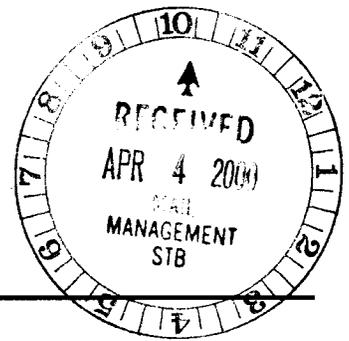


Donald B. Shafo, attorney for
and representative in fact of
The CIT Group/ Equipment & Financing Inc.

RECEIPT ACKNOWLEDGED
this _____ day of April, 2000.

Name:

Title:



RECORDATION NO. **W-58** FILED

APR 10 2000 12:22 PM

SURFACE TRANSPORTATION BOARD

DEMISE CHARTER

between

THE CIT GROUP/EQUIPMENT FINANCING, INC.,

Shipowner,

and

MORAN TOWING CORPORATION,

Charterer.

Dated as of March 27, 2000

of the United States Flag Towing Vessel named

SUSAN MORAN

(Official No. 1094074)

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Schedule G - Copies of Navy Contract Assignment and Related Notices

Schedule H-1 - Copy of Security Agreement

Schedule H-2 - Form of Addendum No. 2 to the Security Agreement

Schedule I - Copy of Credit Agreement

Schedule J - Form of Guarantee

Schedule K - Tables of Outstanding Rental Balances and Rental Amortization Amounts

Schedule L - Notice of Exercise of Fixed Rate Option

DEMISE CHARTER

DEMISE CHARTER dated as of March 27, 2000 between THE CIT GROUP/EQUIPMENT FINANCING, INC. ("Shipowner"), a New York banking corporation, and MORAN TOWING CORPORATION ("Charterer"), a New York 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 United States Coast Guard, Department of Transportation, 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 SHIPOWNER 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 Term 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 Term, 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) in connection with Charterer's performance under the Navy Contract for tug services or any other contract with the United States or any agency thereof that requires tugboat assistance and (C) 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 Term. 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 Term. 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 Term 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 United States Coast Guard, 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, the United States Navy 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 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."), Sections 12102, 12105(b) and 12106 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. Sections 12102, 12105(b) and 12106 and the regulations thereunder and Charterer 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 of Classification and Repairs

(a) Charterer shall be charged with full responsibility for maintenance and repair of the Vessel throughout the Term and shall at all times during the Term, 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. Charterer shall at all times during the Charter Period maintain the Vessel so as to entitle her to the highest classification and rating of ABS for vessels of the same age and type, submitting the Vessel to all required surveys of ABS (giving the Shipowner prior written notice thereof, 30 days in advance if practicable, but otherwise so long in advance as may be practicable under the circumstances), and annually, during each year of the Term, shall furnish to Shipowner reproduced copies of all annual certificates issued by ABS, dated within the previous 30 days, evidencing the maintenance of such classification and rating. During the Charter Period all repairs or changes necessary to cause the Vessel to comply with the requirements and recommendations of ABS, including changes or additions to such requirements, shall be for Charterer's account. Charterer shall have the right upon not less than thirty (30) days prior written notice to Shipowner to reclassify the Vessel with a recognized classification society other than ABS provided

Shipowner shall have first approved such reclassification, which approval may be granted or denied by Shipowner in its sole discretion, the granting or denial of which will not be unreasonably delayed by Shipowner.

(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 United States Coast Guard or any other state or federal agency having jurisdiction, and by ABS, 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 ABS, 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 \$150,000.00.

(d) Charter 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, including, without limitation, the Navy Contract.

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 utilization of the Vessel in its intended trade 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.

(e) Notwithstanding the foregoing provisions of this Article 6, no property which constitutes "Government Property" under the Navy Contract (or government property under any other government contract) shall be considered as property of either the Charterer or the Shipowner hereunder.

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 Term, which obligation of Charterer shall survive the Redelivery or Termination of this Demise Charter. During the Term, 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 The CIT Group/Equipment Financing, Inc., a New York banking corporation ("Shipowner"), and is under Demise Charter to Moran Towing Corporation, a New York 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 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 Term 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 separate full form entries (including pollution coverage) for each of Charterer and Shipowner with financially sound and reputable insurers or protection and indemnity associations, covering marine and war risk protection and indemnity risks, 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 the Vessel, 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 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 \$1,000,000.00 per incident and \$2,000,000.00 in the aggregate for all incidents provided that the \$900,000.00 in excess of \$100,000.00 per incident are shared among Guarantor, its subsidiaries and affiliates, and (B) in the case of protection and indemnity insurance the deductible shall not exceed \$250,000.00 increasing proratably to an amount not to exceed \$400,000.00 in the event the total per incident liability exceeds \$1,000,000.00, such deductible arrangements also being accomplished pursuant to (A) above. 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.

(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 \$200,000, 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 a separate entry for the Vessel in the name of each of the Charterer and Shipowner 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 (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 or Guarantors' 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 insurance 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 insurance complies in all respects with the applicable requirements of this Demise Charter, and that the forms of policies or other evidence of such insurance 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 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(j) 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 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; Early Termination

Options; Purchase Options; Third Party Sales.

(a) This Demise Charter shall remain in effect until, and shall terminate at the end of the Charter Period. Charterer shall, however, provided no Event of Default shall have occurred and be continuing, have the option to terminate this Demise Charter effective upon the receipt by Shipowner of the 60th payment of Basic Hire provided Charterer shall have delivered written notice of its irrevocable exercise of such option not less than ninety (90) days prior to the 60th Basic Hire Payment Date. If Charterer shall exercise such option, Charterer shall, in addition to the 60th payment of Basic Charter Hire, pay to Shipowner in immediately available funds on or before such 60th Basic Hire Payment Date, as and for the purchase price of the Vessel, a sum equal to the Early Purchase Amount 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 that the Charterer exercises its option to terminate this Demise Charter, as provided above, the Charterer may also elect, in lieu of purchasing the Vessel, as provided above, to 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 60th Basic Hire Payment Date in which event the Charterer shall continue to pay Basic Hire at the rate specified in respect of said first sixty (60) 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 75% 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 75% of the Purchase Price, provided, however, that Charterer's liability shall be limited to an amount equal to 16% 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 75%, and (ii) in the event the said net proceeds are in excess of 75% of the Purchase Price, Shipowner shall pay such excess to Charterer.

Furthermore, in the event Charterer has not previously terminated this Demise Charter as provided above, and provided Charterer shall have delivered irrevocable written notice of the exercise thereof not less than ninety (90) days prior to the 120th 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 on the same terms and conditions as the bill of sale referred to

above. In the event Charterer does not timely elect to purchase the Vessel at the expiration of the 120th Basic Hire Payment Date, Charterer shall effect a Third Party Sale of the Vessel in the same manner provided in the preceding paragraph except that the obligation to pay Basic Hire beyond the 120th Basic Hire Payment Date shall continue until the receipt of the net proceeds of sale by the Shipowner at the rate specified in respect of the 61st through and including the 120th Basic Hire Payment Date in the definition thereof and except that (i) in the event the net proceeds are less than 47.5% of the Purchase Price, the Charterer shall pay the Shipowner the difference between said net proceeds and 47.5% of the Purchase Price, provided, however, that Charterer's liability shall be limited to an amount equal to 22% 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 the total difference between said net proceeds and said 47.5%, and (ii) in the event the net proceeds are in excess of 47.5% 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. Such Basic Hire shall be Floating Rate Basic Hire until such time, if ever, that Charterer shall have exercised the Fixed Rate Option, which Charterer shall have the right to do at any time during the Charter Period by providing Shipowner with a Notice of Exercise of Fixed Rate Option substantially in the form of Schedule L annexed hereto and made a part hereof. 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 Term 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 (h) 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 Term, 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

Business Days prior to the date of such payment, (ii) within 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 12-1/2% 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 Term, 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 Term, 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 Term 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 Term 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 Articles 10 (a), 10 (h) and the rights and obligations of Charterer under Article 16 hereof, 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, in class 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 class, 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.

(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), other than the Navy Contract 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) (other than the Navy Contract) 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 (other than the Navy Contract) (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 THE CIT GROUP/EQUIPMENT FINANCING, INC., A NEW YORK BANKING CORPORATION (“SHIPOWNER”), AND IS UNDER DEMISE CHARTER TO MORAN TOWING CORPORATION (“CHARTERER”), A NEW YORK CORPORATION, PURSUANT TO THAT CERTAIN

DEMISE CHARTER DATED AS OF MARCH 27, 2000 ("CHARTER"). 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, CHARTERER 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 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 Charters Assignment, the Insurances Assignment, or by the Guarantor under its Guarantee, 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 30 days after receipt by it of written notice thereof from Shipowner; or

(5) Charterer or the Guarantor shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it under the Investment Agreement, the Guarantee, the Charters Assignment, 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 and the Guarantor of Sections 5.1(a) through and including (d) or Section 5.5 of the Investment Agreement, and by Guarantor of Section 3.1 of the Guarantee, 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 or the Guarantor 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 or the Guarantor 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 either 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 any of them, and the continuance of such decree or order unstayed and in effect for a period of 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 60 days of filing; or

(7) The institution by Charterer or the Guarantor 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 any 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 it or of any substantial part of its property, or the making by either of them of an assignment for the benefit of creditors, or the admission by any 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, the Guarantor, or any Subsidiary of either thereof, shall default (after the expiration of any applicable period of grace with respect thereto) in the payment of any indebtedness in excess of \$200,000.00 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) (A) of the Investment Agreement); or

(10) A Credit Agreement Event of Default shall have occurred that has not been waived by the "Required Lenders" (as defined in the Credit Agreement).

Charterer shall promptly notify Shipowner of the occurrence of Events 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 the same 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 nor later than thirty 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 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 Charter 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 15% 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 (b), 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, 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 or the Guarantor 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 Original Equipment Cost, (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 Affiliates 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 Section 5.3(c) of the Investment Agreement, 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)

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) All questions arising under this Demise Charter shall be governed by and construed in accordance with the internal laws of the State of New York, except to the extent preempted by Federal law.

(h) All amounts payable hereunder by Charterer to Shipowner shall be paid in immediately available funds in to The CIT Group/Equipment Financing, Inc., Bank

America, ABA No. 121000358, Account No.1233-5-18855 in the name of The CIT Group/Equipment Financing, Inc., reference Moran Towing, 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 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 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 RELATING TO THIS AGREEMENT AND FOR 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:

THE CIT GROUP/EQUIPMENT FINANCING, INC.
1540 West Fountainhead Parkway
Tempe, Arizona 05282

Attention: Mark Saylor
Phone: 480-784-2383
Telecopy: 480-858-1488

with a copy to:

THE CIT GROUP/EQUIPMENT FINANCING, INC.
650 CIT Drive
Livingston, NJ 07039

Attention: Vice President, Credit
Phone: 973-740-5481
Telecopy: 973-740-5148

To Charterer:

MORAN TOWING CORPORATION
c/o Moran Transportation Company

2 Greenwich Plaza
Greenwich, Connecticut 06830

Attention: President
Telecopy: 203 625 7857

with a copy to:

MORAN TRANSPORTATION COMPANY
2 Greenwich Plaza
Greenwich, Connecticut 06830

Attention: General Counsel
Telecopy: 203 625 7857

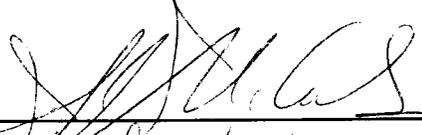
or, as to each party, at such other address as shall be designated by such party in a written notice to the other Persons named above. All notices shall be effective upon receipt.

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

THE CIT GROUP/EQUIPMENT FINANCING, INC.

By: _____
Its:
Name:

MORAN TOWING CORPORATION

By: 
Its: *Vice President*
Name: *Jeffrey J McAuley*

STATE OF CONNECTICUT)
) ss.:
COUNTY OF FAIRFIELD)

At Greenwich, Connecticut, March 27, 2000, personally appeared Jeffrey A. McAulay, Vice President of Moran Towing Corporation, signer and sealer of the foregoing instrument, and acknowledged the same to be his free act and deed and the free act and deed of said Moran Towing Corporation, before me a notary public of the State of Connecticut.

THEONE SALTIS
NOTARY PUBLIC
NO. 94866
MY COMM. EXPIRES AUGUST 31, 2000

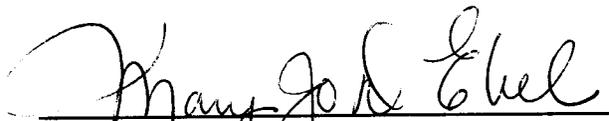
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Notary Public

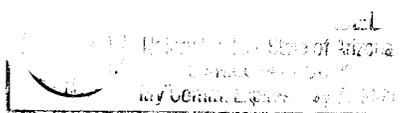
ACKNOWLEDGMENT

STATE OF ARIZONA)
) SS.:
COUNTY OF MARICOPA)

On the 12 day of March, 2000, before me personally came Mark Saylor, to me known, who, being by me duly sworn, did depose and say that he is a Vice President of THE CIT GROUP/EQUIPMENT FINANCING, INC., a New York corporation, the corporation described in and which executed the above instrument; and that he signed his name thereto on behalf of said corporation by order of the Board of Directors of said corporation and the foregoing is the free act and deed of said corporation in said capacity.



(Notary Public)



SCHEDULE A

Definitions

“ABS” shall mean the American Bureau of Shipping or any successor organization or any other recognized classification society acceptable to Shipowner in accordance with the terms of the last sentence of Article 4(c) of the Demise Charter.

“Addendum No. 2 to the Security Agreement” shall mean that certain Addendum No. 2 to the Security Agreement substantially in the form of Schedule H-2 annexed to the Demise Charter.

“Administrative Agent” shall have the meaning set forth in the Credit Agreement.

“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

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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 120 payments of Charter Hire (subject to the provisions of Article 10 of the Demise Charter) payable on each Basic Hire Payment Date. The amount of each payment of Basic Hire shall be calculated in accordance with the definition of Floating Rate Basic Hire until and unless the Charterer shall have duly exercised the Fixed Rate Option, in which event, each payment of Basic Hire thereafter shall be calculated and determined in accordance with the definition of Fixed Rate Basic Hire.

“Basic Hire Payment Date” shall mean, subject to the provisions of Article 10 of the Demise Charter, the 120 consecutive monthly anniversaries of the Delivery Date commencing with the first such monthly anniversary date; 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 if there is no monthly anniversary of the Delivery Date in any month, Basic Hire for such month shall be due and payable on the last Business Day of such month.

“Beneficiary” shall have the meaning set forth in the Security Agreement.

“Beneficiaries” shall have the meaning set forth in the Security Agreement.

“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 Connecticut or New York are authorized or obligated by law or executive order to remain closed; provided, however, that for purposes of determining the LIBOR Rate, Business Day shall also mean a day on which banking institutions doing business in the London Interbank market are open for business.

“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, including, without limitation, the Navy Contract.

“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 Moran Towing Corporation, a New York corporation, together with its permitted successors and assigns under the Demise Charter.

“Charters Assignment” shall mean that certain Assignment of Charters substantially in the form of Schedule D annexed to the Demise Charter and made a part thereof whereby the Charterer, subject to the conditions governing the effectiveness of that instrument stated therein, assigns to Shipowner all of its right, title and interest in, to, or under, the Demise Charter or under any Charter entered into by Charterer (other than the Navy Contract).

“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.

“Consolidated Net Worth” for any person, shall mean the shareholder’s equity of such Person and its Subsidiaries determined on a consolidated basis in accordance with GAAP; provided, that, in calculating the Consolidated Net Worth of Guarantor and its Subsidiaries, the “Non-Redeemable Preferred Stock” (as defined in the Credit Agreement) and the capital stock subject to redemption in connection with “Put Payments” (as defined in the Credit Agreement) and/or the “Compensation Payments” (as defined in the Credit Agreement) shall

be excluded.

“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 Credit Agreement dated as of October 30, 1998 by and among Guarantor, as Borrower, the banks, financial institutions and other institutional lenders that are “Lenders” thereunder, and Fleet Bank, N.A. as “Initial Issuing Bank” and “Administrative Agent”, as the same may be at any time amended, restated, supplemented or replaced, a copy of the Credit Agreement as presently in effect being annexed to the Demise Charter as Schedule I.

“Credit Agreement Consent” shall mean that certain Amendment No. 1 dated in December, 1999 by and between the Guarantor, the Administrative Agent and Lenders constituting the “Required Lenders” (as defined in the Credit Agreement) together with any UCC-3 filings and such other documentation as may be necessary or advisable to permit the transactions contemplated by the Transaction Documents (other than the Credit Agreement) to be consummated, which documents are included in Schedule I to the Demise Charter.

“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 by the Required Lenders (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 fifteen percent (15%)

“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 and where the context so requires shall have the meaning set forth in Schedule A to the Security Agreement.

“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.

“Demise Charter Vessel” and “Demise Charter Vessels” shall have the meanings set forth in the Security Agreement.

“Designated Taxes” shall have the meaning set forth in Article 2 of the Guarantee.

“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 “\$”.

“Early Purchase Amount” shall mean 75% of the Purchase Price.

“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).

“Escrow Account” shall have the meaning set forth in the Security Agreement.

“Escrow Agent” shall mean State Street Bank and Trust Company in its capacity of Escrow Agent under the Security Agreement.

“Escrow Fund” shall have the meaning set forth in the Security Agreement.

“Event of Default” shall mean any of the Events of Defaults specified in Article 15(a)

of the Demise Charter or in any other Demise Charter hereinafter or heretofore entered into by Charterer subject of an Addendum to the Security Agreement.

“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 (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 and (ii) 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 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 47.5% of the Purchase Price.

“Fixed Rate Basic Hire” shall be determined by the Shipowner in the event Charterer exercises the Fixed Rate Option by determining (i) the Fixed Rate Percentage at the time of exercise by Charterer of the Fixed Rate Option and (ii) the Outstanding Rental Balance at the time of such exercise, and thereafter calculating on a consecutive level monthly payment basis the amount of each of the payments of Basic Hire from the effective date of the

exercise of the Fixed Rate Option through and including the 60th payment of Basic Hire such that upon payment of the 60th payment of Basic Hire the Outstanding Rental Balance shall be equal to 75% of the Purchase Price (\$2,625,000.00). Following payment of the 60th payment of Basic Hire, Shipowner shall calculate anew payments of Basic Hire on a consecutive level monthly payment basis based on an initial Outstanding Rental Balance of \$2,625,000.00 and a final Outstanding Rental Balance following payment of the 120th payment of Basic Hire of 47.5% of the Purchase Price (\$1,662,500.00).

“Fixed Rate Option” shall mean the one time right of Charterer at any time during the Charter Period to fix payments of Basic Hire, based on the Fixed Rate Percentage, which option may be exercised on not less than thirty (30) calendar days' notice from Charterer to Shipowner, which notice shall be substantially in the form of Schedule L to the Demise Charter, and shall be effective commencing with the first payment of Basic Hire due more than thirty (30) calendar days following the receipt by Shipowner of such notice of exercise. Once given, such notice shall be irrevocable and unconditional and shall apply to all payments of Basic Hire due more than thirty (30) days following the receipt by Shipowner of such Notice of exercise.

“Fixed Rate Percentage” shall mean the Index Rate plus 312 basis points.

“Floating Rate Basic Hire” shall mean with respect to each of the 120 payments of Basic Hire the sum of (i) the Rental Amortization Amount set forth on Schedule K opposite the number of such payment plus (ii) the Floating Rate Percentage multiplied times the Outstanding Rental Balance set forth on Schedule K opposite the immediately preceding payment number. For the avoidance of doubt, the first Floating Rate Basic Hire Payment due on the first monthly anniversary of the Delivery Date will be \$38,487.95, being the sum of (i) \$11,527.01 (the Rental Amortization Amount with respect to Basic Hire Payment No. 1) plus (ii) \$26,960.94, being .7703125% (the Floating Rate Percentage applicable to Basic Hire Payment No. 1) multiplied times \$3,500,000.00 (the Outstanding Rental Balance applicable to Basic Hire payment No. 0 and corresponding to the Delivery Date).

“Floating Rate Percentage” shall be determined with respect to each payment of Basic Hire occurring during the Charter Period through and including, but not following, the effective date of the exercise by Charterer of the Fixed Rate Option, as follows: With respect to each payment of Floating Rate Basic Hire occurring during the Charter Period by taking the sum of: (i) the LIBOR Rate as published in The Wall Street Journal two (2) Business Days prior to the Delivery Date in the case of the first payment of Floating Rate Basic Hire and two (2) Business Days prior to each monthly anniversary of the Delivery Date thereafter through and including the one hundred twentieth (120th) such monthly anniversary date plus (ii) 312 basis points; and dividing the sum by 12. For the avoidance of doubt the Floating

Rate Percentage in respect of the first Floating Rate Basic Hire payment shall be .7703125% (9.24375%, being the sum of the LIBOR Rate as of March 22, 2000, 6.12375%, plus 312 basis points, divided by 12).

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

“Government Property” shall have the meaning set forth in Article 6(e) of the Demise Charter.

“Guarantee” shall mean that certain Guarantee Agreement entered into between Guarantor and Shipowner dated the Delivery Date.

“Guaranteed Agreement” and “Guaranteed Agreements” shall have the meanings set forth in the second recital of the Guarantee.

“Guaranteed Party” and “Guaranteed Parties” shall have the meanings set forth in the third recital of the Guarantee.

“Guarantor” shall mean Moran Transportation Company, formerly named Moran Enterprises Corporation, a Delaware corporation.

“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 and in respect of the Security Agreement shall have the meaning set forth therein.

“Index Rate” shall mean the weekly average 7-year Treasury constant maturity rate as published in Federal Reserve Statistical Release H 15 (219) for the week immediately preceding the date on which the Shipowner has received notice of the exercise by Charterer of the Fixed Rate Option.

“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 among the Shipowner, the Charterer and the Guarantor, 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.

“LIBOR Rate” shall mean the rate as published in The Wall Street Journal for offerings of one month Eurodollar deposits available from prime banks in the London Interbank market at or about 11:00 A.M., London time two (2) Business Days prior to the Delivery Date and two (2) Business Days prior to each Basic Hire Payment Date thereafter, it being understood that Shipowner and Charterer have agreed that payments of Basic Hire shall be based on the Floating Rate Percentage until and unless Charterer shall have exercised its Fixed Rate Option. If The Wall Street Journal ceases to publish a one month LIBOR Rate, the LIBOR Rate shall be determined by the Shipowner as the average one month LIBOR Rate quoted to the Shipowner by three prime banks doing business in the London Interbank market selected by the Shipowner. The LIBOR Rate determined as aforesaid, shall in all events be adjusted upward to allow the Shipowner to recover reserves, if any, imposed on Eurocurrency liabilities by the Board of Governors of the Federal Reserve System under its Regulation D or any similar regulation.

“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.

“Navy Contract” shall mean that certain contract in respect of RFP:N 00033-99-C-1015 on form MSC TUGTIME 97, Contract No. N00033-99-C-1015 (30 Nov. 1998), between the Charterer and the United States Navy respectively executed by the Charterer on January 29, 1999 and by the United States Navy on February 1, 1999 as the same may be at

any time amended, modified or supplemented and including all extensions and renewals thereof.

“Navy Contract Assignment” shall mean that certain “Assignment of Monies Due or to Become Due under Government Contract” dated as of December 17, 1999 as executed by the Charterer in respect of the Navy Contract in favor of the Escrow Agent.

“Non-Demise Charter Vessels” shall have the meaning set forth in the Security Agreement.

“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.

“Notices of Assignment” shall mean the Notices of Assignment addressed to the Contracting Officer and the Disbursing Officer, respectively, under the Navy Contract, signed by the Escrow Agent, true and complete copies of which as signed by such Officers will be furnished to the Shipowner.

“Obligations” shall mean the joint and/or several obligations of the Obligor under, pursuant or relating to, the Transaction Documents.

“Obligors” shall have the meaning set forth in the first paragraph of the Investment Agreement.

“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.

“Opinions of Counsel” shall mean the opinion of general counsel to Charterer and Guarantor and the opinion of special counsel to Charterer and Guarantor substantially in the form of Exhibits C-1 and C-2, to the Investment Agreement, respectively, and “Opinion of Counsel” shall mean either of them.

“Outstanding Rental Balance” shall mean with respect to each payment of Basic Hire the amount set forth on Schedule K under the column headed “Outstanding Rental Balance” applicable to the immediately preceding Basic Hire payment number, and in the case of the first payment of Basic Hire the Outstanding Rental Balance opposite payment No. 0 (being equal to the Purchase Price of \$3,500,000.00).

“Owner Furnished Equipment” shall have the meaning set forth in Section 7.2 of the Investment Agreement.

“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 Charters Assignment and the Insurances Assignment, (7) liens for repairs or for changes made to the Vessel to comply with law, the requirements of the Vessel’s classification society in order to maintain her class as required by Article 4 of the Demise Charter, 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 \$3,500,000.00.

“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) (1) of the Demise Charter.

"Rental Amortization Amount" shall mean with respect to each payment of Basic Hire the amount set forth on Schedule K under the heading Rental Amortization Amount corresponding to the number of such Basic Hire payment as the same may be amended in the event of the recalculation of the Rental Amortization Schedule in the event of the election by Charterer of the Fixed Rate Option.

"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.

"Security Agreement" shall mean that certain Security and Application of Funds Agreement dated as of December 17, 1999 by and among the Escrow Agent, USB, the Charterer and the Administrative Agent as accepted by Guarantor a copy of which, together with Addendum No. 1 thereto, is annexed to the Demise Charter as Schedule H-1 as said Security Agreement may be modified, amended and supplemented upon the acquisition of additional Demise Charter Vessels providing service under the Navy Contract, and from and including the Delivery Date, Addendum No. 2 to the Security Agreement.

"Securities Laws" shall have the meaning set forth in Article 3.1(a) of the Guarantee.

"Shipbuilder" shall mean Washburn & Doughty Inc. of East Boothbay Harbor, Maine.

"Shipowner" shall mean The CIT Group/Equipment Financing, Inc., a New York banking corporation, 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.

“Specified Vessel” shall have the meaning set forth in the Form of Addenda to the Security Agreement.

“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 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 Schedule B plus interest (at 9-1/2% 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 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 tenth 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 (b) the withdrawal by the Company 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 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 Guarantee, the Credit Agreement Consent, the Charters Assignment, the Insurances Assignment, the Navy Contract, the Navy Contract Assignment, the Security Agreement, Addendum No. 2 to the Security Agreement, 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 Opinions 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.

“United States Navy” shall mean the Department of the Navy, Military Sealift Command.

“USB” shall mean U.S. Bancorp Leasing & Financial, an Oregon corporation.

“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 United States Flag towing vessel, Shipowner’s hull No. 68, classed +A1 Towing Service AMS by ABS, built in 2000 at East Boothbay, Maine, by Washburn & Doughty Associates, Inc. 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 SUSAN MORAN documented under United States flag with coastwise and registry endorsements under Official No. 1094074.

“Vessels” shall have the meaning set forth in the Security Agreement.

“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.

45	84.8377%
46	84.3586%
47	83.8758%
48	83.3892%
49	82.8989%
50	82.4049%
51	81.9070%
52	81.4053%
53	80.8997%
54	80.3903%
55	79.8769%
56	79.3595%
57	78.8382%
58	78.3129%
59	77.7835%
60	77.2500%
61	76.8769%
62	76.5008%
63	76.1219%
64	75.7401%
65	75.3553%
66	74.9676%
67	74.9676%
68	74.5768%
69	74.1831%
70	73.7863%
71	73.3865%
72	72.9836%
73	72.5776%
74	72.1684%
75	71.7562%
76	71.3407%
77	70.9220%
78	70.5001%
79	70.0750%
80	69.6466%
81	69.2149%
82	68.7798%
83	68.7798%
84	68.3414%
85	67.8997%
86	67.4545%
87	67.0059%
88	65.6392%
89	65.1767%
90	64.7105%
91	64.2408%
92	63.7674%
93	63.2904%

94	62.8097%
95	62.3253%
96	61.8372%
97	61.3454%
98	60.8497%
99	60.3502%
100	59.8469%
101	59.3397%
102	58.8286%
103	58.3135%
104	57.7945%
105	57.2715%
106	56.7445%
107	56.2133%
108	55.6782%
109	55.1388%
110	54.5954%
111	54.0477%
112	53.4958%
113	52.9397%
114	52.3793%
115	51.8146%
116	51.2455%
117	50.6720%
118	50.0941%
119	49.5118%
120	48.9250%

ASSIGNMENT OF INSURANCES

THIS ASSIGNMENT dated as of March 27, 2000 from MORAN TOWING CORPORATION, ("Moran"), a New York corporation, to THE CIT GROUP/EQUIPMENT FINANCING, INC., ("CIT") a New York banking corporation.

WITNESSETH:

WHEREAS:

1. Moran is the demise charterer and operator of the United States Flag towing vessel SUSAN MORAN, Official No. 1094074 (the "Vessel"), documented in the name of CIT.

2. This Assignment is supplemental to a Demise Charter of even date herewith (the "Demise Charter") whereby CIT demise chartered the Vessel to Moran and Moran agreed to assign to CIT absolutely (subject to the rights of Moran under and pursuant to the Demise Charter) (i) payment of all amounts at any time and from time to time payable by Moran to CIT 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 Moran of all the terms, covenants and conditions contained in the Demise Charter and the other Transactions Documents.

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

1. Moran, hereby assigns to CIT all of Moran'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")

2. Anything contained herein to the contrary notwithstanding, Moran 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 CIT 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 (i) the Demise Charter and in the event of any

SCHEDULE C

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); and (ii) the insurance requirements of that certain Contract No. N00033-99-C-1015 (30 Nov. 1998) between the Assignor and the Department of the Navy, Military Sealift Command, together with any amendments, change orders, additions, modifications, or supplements thereto or extensions thereof.

3. Moran 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. Moran does hereby constitute CIT, its successors and assigns, Moran's true and lawful attorney, irrevocably, with full power (in the name of Moran 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 CIT may seem necessary or advisable subject to the rights of Moran to file certain proofs of claims and compromise losses provided no Event of Default under the Demise Charter shall have occurred and be continuing. Moran further agrees that at any time and from time to time, upon the reasonable written request of CIT, Moran will promptly and duly execute and deliver any and all such further instruments and documents as CIT may request in obtaining the full benefits of this Assignment and the rights and powers herein granted or purported to be granted.

5. Moran covenants and warrants that it has not assigned, charged or pledged, and that it will not hereafter without the prior written consent of CIT, assign, charge or pledge the whole or any part of the Insurances to anyone other than CIT except as required by the Navy Contract.

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.

MORAN TOWING CORPORATION

By: _____
Its
Name:

CHARTERS ASSIGNMENT

The undersigned, MORAN TOWING CORPORATION, a corporation organized and existing under the laws of New York (hereinafter called the "Assignor"), in consideration of the sum of US\$1.00, lawful money of the United States of America, from THE CIT GROUP/EQUIPMENT FINANCING, INC. (herein called the "Assignee"), a New York corporation, paid before the execution and delivery of this Assignment and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has sold, assigned, transferred and set over and by this instrument does hereby sell, assign, transfer and set over unto the Assignee, and unto the Assignee's successors and assigns, to its and to its successors' and assigns' own proper use and benefit (i) all freights, hire and any other monies from time to time earned and to be earned, due or to become due, or paid or payable to, or for the account of, the Assignor, of whatsoever nature, arising out of or as a result of the demise charter and operation by the Assignor or its agents of the Assignor's United States flag towing vessel presently named SUSAN MORAN, Official No. 1094074 (documented, however, in the name of the Assignee) (hereinafter called the "Vessel"), other than arising out of or as a result of that certain Contract No. N00033-99-C-1015 (30 Nov. 1998) between the Assignor and the Department of the Navy, Military Sealift Command, together with any amendments, change orders, additions, modifications, or supplements thereto or extensions thereof (the "Navy Contract"), (ii) each and every time, voyage, bareboat or other charter or contract of affreightment or contract of transportation or other similar agreement, however denominated, other than the Navy Contract, from time to time entered into with respect to the Vessel (or with respect to which the Vessel may be from time to time or at any time employed) (any such charter or contract, excluding the Navy Contract, being hereinafter called a ("Charter"), and all monies and claims for monies due and to become due to the Assignor under any Charter, including but not limited to, all claims for damages arising out of the breach of, and all rights to terminate, any Charter, (iii) all monies and claims for monies due and to become due to the Assignor, and all claims for damages, in respect of the actual or constructive total loss of, or requisition of use of or title to, the Vessel (provided that such monies shall be distributed in accordance with the Demise Charter of even date herewith between Assignor and Assignee), and (iv) all right, title and interest of whatsoever nature of the Assignor in, to, or in respect of the Vessel and all profits and proceeds therefrom other than from or with respect to the Navy Contract.

The Assignee may cause (and, upon the written instructions of the Assignee to the Assignor, the Assignor will cause) all payments assigned hereunder to be paid directly to the

SCHEDULE D

Assignee, and the Assignor will hold any such payments it may receive in trust for the Assignee and will promptly pay the same over to the Assignee in the same form as received by the Assignor; and any amounts received by the Assignee will be applied by the Assignee to the obligations of the Assignor to the Assignee, as they become due and payable; provided, however, that anything contained in this Assignment to the contrary notwithstanding, (i) Assignor may collect, receive and retain any and all such payments except to the extent otherwise provided in the Demise Charter and provided no Event of Default (as defined in the Demise Charter of even date herewith between the Assignor and the Assignee) has occurred and is then continuing and (ii) Assignee shall notify Assignor in writing that it is exercising its rights under this Assignment to collect and receive (during such an Event of Default) such payments.

It is expressly agreed that anything herein contained to the contrary notwithstanding (i) the Assignor shall remain liable under all Charters or other agreements with respect to the Vessel to perform all the obligations assumed by it thereunder, (ii) the obligations of the Assignor under all Charters or other agreements with respect to the Vessel may, during any period in which an Event of Default is continuing be performed by the Assignee or its nominee or other assignee from the Assignee without releasing the Assignor therefrom and (iii) the Assignee shall have no obligation or liability under any Charter or other agreement with respect to the Vessel by reason of, or arising out of, this Assignment and shall not be obligated to perform any of the obligations of the Assignor under any such Charter or other agreement, or to make any payment or to make any inquiry of the sufficiency of any payment received by it, or to present or file any claim or take any other action to collect or enforce any payment assigned hereunder.

The Assignor does hereby constitute the Assignee, its successors and assigns, the Assignor's true and lawful attorney, irrevocably, with full power (in the name of the Assignor or otherwise), during the continuance of any Event of Default, to ask, require, demand, receive, compound and give acquittance for any and all monies and claims for monies due and to become due under, or arising out of, any Charter or any freights or hire or other monies assigned hereunder, 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 the Assignee may seem to be necessary or advisable.

The Assignor agrees that at any time and from time to time, upon the written request of the Assignee, the Assignor will promptly and duly execute and deliver any and all such further instruments and documents as the Assignee may reasonably request to obtain the full benefits of this Assignment and of the rights and powers herein granted, including, without limitation, and subject to the penultimate paragraph of this Assignment, the execution and delivery of such Uniform Commercial Code financing and continuation statements, and the filing thereof in such jurisdictions, as the Assignee may from time to time request in writing. Assignor shall not be required to obtain consents from, or notify, its customers (including

subcharterer under any time charter or "spot" relationships) with respect to this Assignment until and unless an Event of Default has occurred under the Demise Charter. The Assignor does hereby represent and warrant that the Assignor has not assigned or pledged (except for prior assignments which have been released), and hereby covenants that it will not assign or pledge, so long as this instrument of Assignment shall remain in effect, the whole or any part of the rights hereby assigned, to anyone other than the Assignee, its successors or assigns and that any and all Charters presently in effect with respect to the Vessel or under which the Vessel will or may be employed are in full force and effect and the Assignor is not in default, in any material respect thereunder; true and complete copies of each such Charter has been delivered to the Assignee, and true and complete copies of all future Charters will be delivered forthwith upon the execution and delivery thereof to the Assignee bearing the consent of the Assignee when so required.

This instrument of Assignment shall be deemed to be a contract under the laws of the State of New York, United States of America, and shall be construed in accordance with the internal laws of said State, including all matters pertaining to the validity and perfection of the security interests created hereunder.

IN WITNESS WHEREOF, the Assignor has caused this instrument of Assignment to be duly executed as of the 27th day of March, 2000.

MORAN TOWING CORPORATION

By: _____
Its Vice President
Name: Jeffrey J. McAulay

CERTIFICATE OF DELIVERY AND ACCEPTANCE

THE UNDERSIGNED, THE CIT GROUP/EQUIPMENT FINANCING INC., a New York corporation ("Shipowner"), and MORAN TOWING CORPORATION, a New York corporation ("Charterer"), DO HEREBY CERTIFY that the United States flag vessel SUSAN MORAN, Official No. 1094074 ("Vessel"), was duly delivered by Charterer to Shipowner and duly accepted by Shipowner from Charterer on March 27, 2000 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 the date hereof, the Vessel then being safely afloat at Norfolk, Virginia

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 March, 2000.

THE CIT GROUP/EQUIPMENT
FINANCING INC.

MORAN TOWING CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE E-1

CERTIFICATE OF DELIVERY AND ACCEPTANCE

THE UNDERSIGNED, THE CIT GROUP/EQUIPMENT FINANCING INC., a New York corporation ("Shipowner"), and MORAN TOWING CORPORATION, a New York corporation ("Charterer"), DO HEREBY CERTIFY that the United States flag vessel SUSAN MORAN, Official No. 1094074 ("Vessel"), was duly delivered by Shipowner to Charterer and duly accepted by Charterer from Shipowner on March 27, 2000 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 the date hereof, the Vessel then being safely afloat at Norfolk, Virginia.

Shipowner 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 March, 2000.

THE CIT GROUP/EQUIPMENT
FINANCING, INC.

MORAN TOWING CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE E-2



MSC TUGTIME 97 PART I
(rev 01/97)

Tug(s): MORAN TOWING CORP

Owner/CEC, CAGE, TIN Nos. (See Art.C1)
TIN 13-5256830

FIRST ORIGINAL

● SUBPART A

To be furnished by MSC Central Technical Activity

1. Negotiated Request for Proposals No. (dated) N00033-98-R-1015 (9 Sept 1998)		2. Contract No. (Charter-Party Date) N00033-99-C-1015 (30 Nov 1998)	
3. Issuing agency Department of the Navy Military Sealift Command, N102 Washington Navy Yard 914 Charles Morris Court SE Washington, DC 20398		Code N00033	4. Address proposals to: Same As Box 3
5. Tugs required (Sect. C) The government requires seven (7) tugs (firm), and one (1) tug (option), that meet the requirements specified within Section C3 of this RFP. Option tug shall be declared at time of award.			
6. Place/range of delivery (Art. F1) Norfolk, VA		7. Place/range of redelivery (Art. F2) Norfolk, VA	
8. Charter Period (Art. F4) About 24 months with the Government's option for 36 additional months. The Government shall have the right to cancel the contract anytime after two years with thirty (30) days prior written notice. (Two years firm with one three-year option.)		9. Proposals accepted until (Art. L7)	
10. Laydays (Art. F1) commencing: See Article F1, H(a) canceling:		11. For additional information, contact: Laura Olesen-Berge (202) 685-5946 laura.olesen-berge@SMTPCW.msc.navy.mil	
12. Account Chargeable: AA97N4930 ND2A 000 IN033 0 N00033 2F NOTU1X 6704PID975AH			
13. Submit invoices to the paying office as follows (Sect. G) Department of the Navy, Military Sealift Command, Code N&A, Naval Station Washington, Bldg 157, Washington DC 20398			Code: N86
14. Articles deleted from master solicitation: See Subpart F			
15. Articles modified in master solicitation: See Subpart F			
15a. Articles added to master solicitation: See Subpart F			

Schedule F

Tug(s):	MORAN TOWING CORP
RFP No.	N00033-99-C-1015

● SUBPART B

General data to be furnished by the offeror by the date/time specified in Box 9

16. Owner/style/address/phone/e-mail (FAX/TELEX) Moran Towing Corporation 1615 Thames Street, Bldg "B" P.O. Box 38400 Baltimore, MD 21231-8400 Phone: (410)732-9601 Fax: (410) 732-9622	17. Broker/style/address/phone/e-mail nos (FAX/TELEX)
18. Remittance address for hire (if other than Box 16) Moran Towing Corporation P. O. Box 64646 Baltimore, MD 21264-4646	19. Offer acknowledges the following amendments to this solicitation (amendment numbers and dates) (Art. L5)
20. Proposal firm until (date and time)	

● SUBPART C

Layday data. to be furnished by offeror by the date/time specified in Box 9

FIRM CONTRACT

TUG 1: name: Z-1	21. Laydays proposed (Art. F1) 12/1/99 - 12/31/99	22. Estimated readiness date: 2/1/99
TUG 2: name: NB 1- HULL 66	23. Laydays proposed (Art. F1) 12/1/99 - 12/31/99	24. Estimated readiness date: 8/15/99
TUG 3: name: KERRY	25. Laydays proposed (Art. F1) 1/1/00 - 1/31/00	26. Estimated readiness date: 9/30/99
TUG 4: name: PATRICIA	27. Laydays proposed (Art. F1) 1/1/00 - 1/31/00	28. Estimated readiness date: 11/15/99

Tug(s):	Moran Towing Corp
RFP No.	N00033-99-C-1015

TUG 5: name: NB 2 - HULL 67	28a. Laydays proposed (Art. F1) 2/1/00 - 2/28/00	28b. Estimated readiness date: 12/31/99
TUG 6: name: NB 3- HULL 69	28c. Laydays proposed (Art. F1) 2/1/00 - 2/28/00	28d. Estimated readiness date: 1/31/00
TUG 7: name: NB 4- HULL 68	28e. Laydays proposed (Art. F1) 3/1/00 - 3/31/00	28f. Estimated readiness date: 2/29/00
TUG 9: name: NB 5 - HULL 71	28e. Laydays proposed (Art. F1) TBN (Replacement for Z-1 when contractor's charter expires)	28f. Estimated readiness date: 8/31/00

OPTIONAL QUANTITIES

TUG 8: name: NB 6 - HULL 70	28g. Laydays proposed (Art. F1) TBN	28h. Estimated readiness date: 5/31/00
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SUBPART D

Pricing data for Tugs to be furnished by the offeror by the date/time specified in box 9

Box 29. CLINS for firm period (Article B1)

0001 Firm Period, Firm Quantity

CLIN	Description	Unit Price	Units	Extended Price
0001AA	Tug 1 Per Diem	\$ 2,211.00	728 days	\$ 1,609,608.00
0001AB	Tug 2 Per Diem	\$ 2,211.00	728 days	\$ 1,609,608.00
0001AC	Tug 3 Per Diem	\$ 2,211.00	728 days	\$ 1,609,608.00
0001AD	Tug 4 Per Diem	\$ 2,211.00	728 days	\$ 1,609,608.00
0001AE	Tug 5 Per Diem	\$ 2,211.00	728 days	\$ 1,609,608.00
0001AF	Tug 6 Per Diem	\$ 2,211.00	728 days	\$ 1,609,608.00
0001AG	Tug 7 Per Diem	\$ 2,211.00	728 days	\$ 1,609,608.00
0001AH	Tug 1. ROS < 10 days	\$ 1,797.00	1 day	\$ 1,797.00
0001AJ	Tug 2. ROS < 10 days	\$ 1,797.00	1 day	\$ 1,797.00
0001AK	Tug 3. ROS < 10 days	\$ 1,797.00	1 day	\$ 1,797.00
0001AL	Tug 4. ROS < 10 days	\$ 1,797.00	1 day	\$ 1,797.00
0001AM	Tug 5. ROS < 10 days	\$ 1,797.00	1 day	\$ 1,797.00
0001AN	Tug 6. ROS < 10 days	\$ 1,797.00	1 day	\$ 1,797.00
0001AO	Tug 7. ROS < 10 days	\$ 1,797.00	1 day	\$ 1,797.00
0001AP	Tug 1. ROS > 10 days	\$ 2,101.00	1 day	\$ 2,101.00
0001AQ	Tug 2. ROS > 10 days	\$ 2,101.00	1 day	\$ 2,101.00
0001AR	Tug 3. ROS > 10 days	\$ 2,101.00	1 day	\$ 2,101.00
0001AS	Tug 4. ROS > 10 days	\$ 2,101.00	1 day	\$ 2,101.00
0001AT	Tug 5. ROS > 10 days	\$ 2,101.00	1 day	\$ 2,101.00
0001AU	Tug 6. ROS > 10 days	\$ 2,101.00	1 day	\$ 2,101.00
0001AV	Tug 7. ROS > 10 days	\$ 2,101.00	1 day	\$ 2,101.00
0001AW	Overtime differential (Tugs 1-7)	\$ 402.00	2688 hours	\$ 1,080,576.00
0001AX	Fuel (Tugs 1-7)	TO BE DETERMINED UPON USE NOT SEPARATELY PRICED		
0001AY	Reports			

SUBPART D

Pricing data for Tugs to be furnished by the offeror by the date/time specified in box 9

Box 29. CLINS (Article B1)

0001 Firm Period. Option Quantities

CLIN	Description	Unit Price	Units	Extended Price
0001BA	Tug 8 Per Diem	\$ 2,211.00	728 days	\$ 1,609,608.00
0001BB	Tug 8. ROS < 10 days	\$ 1,797.00	1 day	\$ 1,797.00
0001BC	Tug 8. ROS > 10 days	\$ 2,101.00	1 day	\$ 2,101.00
0001BD	Tug 8. Overtime	\$ 402.00	383 hours	\$ 153,966.00

0001BE Fuel (Tug 8)
0001BF Reports

**TO BE DETERMINED UPON USE
NOT SEPARATELY PRICED**

"Overtime," as used above, means "Overtime Differential" (see Article B1.1)

SUBPART D

Pricing data for Tugs to be furnished by the offeror by the date/time specified in box 9

Box 30. CLINS for first option period (Article B1)

0002 First Option Period, Firm Quantities

CLIN	Description	Unit Price	Units	Extended Price
0002AA	Tug 1 Per Diem	\$ 2,287.00	1093 days	\$ 2,499,691.00
0002AB	Tug 2 Per Diem	\$ 2,287.00	1093 days	\$ 2,499,691.00
0002AC	Tug 3 Per Diem	\$ 2,287.00	1093 days	\$ 2,499,691.00
0002AD	Tug 4 Per Diem	\$ 2,287.00	1093 days	\$ 2,499,691.00
0002AE	Tug 5 Per Diem	\$ 2,287.00	1093 days	\$ 2,499,691.00
0002AF	Tug 6 Per Diem	\$ 2,287.00	1093 days	\$ 2,499,691.00
0002AG	Tug 7 Per Diem	\$ 2,287.00	1093 days	\$ 2,499,691.00
0002AI	Tug 1, ROS < 10 days	\$ 1,873.00	1 day	\$ 1,873.00
0002AJ	Tug 2, ROS < 10 days	\$ 1,873.00	1 day	\$ 1,873.00
0002AK	Tug 3, ROS < 10 days	\$ 1,873.00	1 day	\$ 1,873.00
0002AL	Tug 4, ROS < 10 days	\$ 1,873.00	1 day	\$ 1,873.00
0002AM	Tug 5, ROS < 10 days	\$ 1,873.00	1 day	\$ 1,873.00
0002AN	Tug 6, ROS < 10 days	\$ 1,873.00	1 day	\$ 1,873.00
0002AO	Tug 7, ROS < 10 days	\$ 1,873.00	1 day	\$ 1,873.00
0002AP	Tug 1, ROS > 10 days	\$ 2,177.00	1 day	\$ 2,177.00
0002AQ	Tug 2, ROS > 10 days	\$ 2,177.00	1 day	\$ 2,177.00
0002AR	Tug 3, ROS > 10 days	\$ 2,177.00	1 day	\$ 2,177.00
0002AS	Tug 4, ROS > 10 days	\$ 2,177.00	1 day	\$ 2,177.00
0002AT	Tug 5, ROS > 10 days	\$ 2,177.00	1 day	\$ 2,177.00
0002AU	Tug 6, ROS > 10 days	\$ 2,177.00	1 day	\$ 2,177.00
0002AV	Tug 7, ROS > 10 days	\$ 2,177.00	1 day	\$ 2,177.00
0002AW	Overrime differential (Tugs 1-7)	\$ 416.00	4032 hours	\$ 1,677,312.00
0002AX	Fuel (Tugs 1-7)	TO BE DETERMINED UPON USE		
0002AY	Reports	NOT SEPARATELY PRICED		

SUBPART D

Pricing data for Tugs to be furnished by the offeror by the date/time specified in box 9

Box 29. CLINS (Article B1)

0002 First Option Period, Option Quantities

CLIN	Description	Unit Price	Units	Extended Price
0002BA	Tug 8 Per Diem	\$ 2,287.00	1093 days	\$ 2,499,691.00
0002BB	Tug 8, ROS < 10 days	\$ 1,873.00	1 day	\$ 1,873.00
0002BC	Tug 8, ROS > 10 days	\$ 2,177.00	1 day	\$ 2,177.00
0002BD	Tug 8, Overtime	\$ 416.00	576 hours	\$ 239,616.00

0002BE Fuel (Tug 8)
0002BF Reports

**TO BE DETERMINED UPON USE
NOT SEPARATELY PRICED**

"Overtime," as used above, means "Overtime Differential" (see Article B1.1)

TUG(S):
MORAN TOWING CORP
RFT No. N0033-99-4-1015

● SUBPART D

Pricing data for Tugs to be furnished by the offeror by the date/time specified in box 9

32. Indicate crewing arrangements during: FOS, ROS (Less than 10 days) and ROS (10 days and longer)

FOS: Our usual complement will be master, mate and deck/utility.

ROS: Less than 10 days: No crew will be on board for those ROS days that fall on a Federal Holiday.
On those Federal Holidays, the per diem rate will be reduced by \$414.00 as shown on pages iv-iv(c)

ROS: More than 10 days: Crew to be reduced by deck/utility position and per diem rate will be reduced by \$110/day as shown on pages iv-iv(c)

33. Release for Commercial Service: Indicate hourly reduction from FOS and/or ROS rates for each tug released for Commercial Service (Article C3.2 prescribes minimum considerations):

Moran will seek commercial employment for up to 10% of the days under the following conditions. If Moran determines to seek other employment it will totally release the Government's obligation to pay charter hire for that period of commercial employment. Moran understands that this will only occur at Moran's initiative. Moran in its evaluation will consider such factors as the nature of the other employment, its duration, location and risk. The business credit involved, along with the present and future business relationships that may be affected will also be evaluated. Additionally, Moran will consider the additional expense and contribution of such other employment. All of these considerations will be made in a good faith, best offer manner but totally at the discretion of Moran.

34. Other Costs (Items):

Tugs delivered before the laydays will be at the per diem rate of \$2,997.00. The per diem rate will reduce to the next-to-last specified rate, pages iv through iv(c), upon commencement of the laydays stipulated in the Section F1.1(a) of this contract.

Boxes 34-JH RESERVED

● SUBPART E Reserved

Tug(s): MORAN TOWING CORP
RFP No. N00033-99-C-1015

● SUBPART F

Space for continuation of responses (refer to prior box numbers)

Box No.	Description:
14	ARTICLES DELETED:
15	ARTICLES MODIFIED: <p><u>ARTICLE C1.41 "Overtime"</u> Add the following sentence: For tugs stationed at NAVSTA, Norfolk, overtime hours are defined as those not identified as "straight time" hours for specific tugs.</p> <p><u>ARTICLE C1.59 "Straight Time"</u> Add the following sentence: For tugs stationed at NAVSTA, Norfolk, straight time shall be defined as follows: Two tugs 0500-1600 Three tugs 0700-1800 One tug 0900-2000 Should the Government exercise its option, that tug's hours will be 0900-2000</p> <p><u>ARTICLE C4.2(a)(ii)</u>: Add new second sentence as follows: "Each tug shall be capable of transporting up to twelve (12) personnel in addition to crew."</p>
15a	ARTICLES ADDED <i>insert new:</i> <p>OPTIONAL TUG, TUG 8, WAS EXERCISED AT TIME OF CONTRACT AWARD.</p> <p>ADMINISTRATIVE CORRECTION: ARTICLE I15(C) is hereby changed to read: "The total duration of this contract, including the exercise of any options under this clause, shall not exceed 60 months"</p> <p>ATTACHEMENT J7: Incorporates subcontracting plan into contract.</p>

Tug(s): MORAN TOWING CORP RFP: N00033-99-C-1015

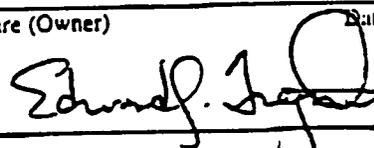
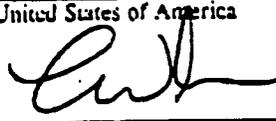
SUBPART G
Preamble

The signature of the Contracting Officer below signifies acceptance of the proposal set forth in this Part I and award of a contract including Parts I and II hereof. This Part I contains in full all of the amendments, references, responses, deletions, additions, and interlineations made by both parties to the RFP, the Owner's proposal, and Parts I and II of this Charter Party, all as of the Charter Party date. Part II shall include the attachments agreed and noted in Section J herein, and those Special Provisions agreed and noted in Box 12a.

It is mutually agreed that this Charter shall be performed subject to the conditions contained herein, including both Parts I and II except for Sections "L" and "M," and with Section "K" incorporated only by reference. In the event of a conflict of conditions, the provisions of Part I hereof shall prevail over those of Part II, and any Special Provisions agreed shall further prevail over any other provision of this Charter save those of Part I, to the extent of such conflict. Each of the provisions of this Charter Party shall be deemed severable, and should any article or part thereof be held invalid, illegal, or unenforceable, the remaining provisions or parts thereof shall continue in full force and effect. The headings of articles and boxes are for the sake of convenience and reference only, and shall not affect the interpretation of this Charter Party.

To the extent that there is any inconsistency between the Government's Charter form terms and conditions promulgated by the RFP and the charter form terms and conditions submitted by the Owner, which inconsistency has not been clearly disclosed to the Government by the Owner, the Government's charter form terms and conditions shall control in this Charter Party.

Your offer on Solicitation Number N00033-98-R-1015 including the additions or changes made by you, is hereby accepted as to services covered therein. This award consummates the contract which consists of the following documents: (a) the Government's solicitation and your offer, and (b) this award/contract.

39. Name and Title of Signer (OWNER) EDWARD J TREGURTHA VICE PRESIDENT	40. Name of Contracting Officer (MSC) --- R. E. WILSON CONTRACTING OFFICER
41. Signature (Owner) By:  Date Signed: 1/29/99	42. United States of America By:  Date Signed: 2/1/99

SECTION B - PRICE AND COST**B1 CHARTER HIRE**

B1.1 Charter hire for services under this Charter Party shall be payable 7 (seven) days a week at the applicable rates stated in SUBPART D. The overtime differential rate, when stated, in SUBPART D shall be used when tugs are utilized outside of straight time hours (Articles C1.41 and C1.59 refer).

B1.2 The hire rates stipulated in SUBPART D shall be considered payment in full for the services of all Tugs, Associated Equipment, and crew in accordance with this Charter Party, except as otherwise provided herein, including all overtime, penalty time, bonuses, payments, and emoluments payable to Tugmaster and crew, and including the cost of Tug's crew running lines. Said hire rates are exclusive of the costs of fuel and port charges, which are addressed at Articles H14 and H11, respectively.

SECTION C - STATEMENT OF WORK AND SPECIFICATIONS

C1 GENERAL DEFINITIONS

C1.1 "Alterations" - Additions of equipment; planned changes to the configuration, location, type, or number of pieces of equipment or systems; changes in the arrangement and outfitting of Tug's structure

C1.2 "Assisting" - Movement of a tow which is making use of, or which has available for use, her own propulsion

C1.3 "Associated Equipment" - Construed to include all Contractor-furnished equipment necessary for performance in accordance with this Charter

C1.4 "BHP" - Brake horsepower

C1.5 "CAGE" - Commercial and Governmental Entity Code (see DFARS 252.204-7007, which is referenced at Article L9, herein)

C1.6 "CEC" - Contractor Establishment Code (see FAR 4.602(d))

C1.7 "CFE" - Contractor-Furnished Equipment

C1.8 "Charterer" - The United States of America

C1.9 "Charter Party" - This document; interchangeable with "contract" and "Charter."

C1.10 "Charter Party Date" - Identified at Box 2

C1.11 "COMSC" - Commander, Military Sealift Command

C1.12 "Charter" - This document including both Parts I and II

C1.13 "Contracting Officer" - The only representative of the Government who is authorized to execute and modify contract

C1.14 "Contractor" - Interchangeable with "Owner"

C1.15 "Crew" - Of the Tugs identified in Part I

C1.16 "Dead tow" - see "Flat tow," below

C1.17 "DFARS" - Department of Defense Federal Acquisition Regulation Supplement (issued by the Department of Defense)

C1.18 "Docking" - Aiding the movement of a tow, from the stream off a pier to a berth

C1.19 "DOD" - Department of Defense

C1.20 "Escorting" - Non-docking accompaniment of a tug in close proximity to a tow, whether or not lines are made fast to the tow

C1.21 "Facsimile Proposal" - see FAR 52.215-18, which is referenced at Article L13.1, herein

C1.22 "FAR" - Federal Acquisition Regulation (issued by the Department of Defense, General Services Administration, and National Aeronautics and Space Administration)

C1.23 "FCC" - Federal Communications Commission

C1.24 "Flat tow" - Tow which does not have her own propulsion available for use

C1.25 "FOS" - Full Operating Status, with Tug manned and provisioned, all equipment operational, and prepared in all respects to perform in accordance with this Charter Party

C1.26 "fpm" - feet per minute

C1.27 "GFP" - Government-furnished property (see the clause incorporated by reference at Article 138, herein)

C1.28 "Government" - The United States of America

C1.29 "gpm" - gallons per minute

C1.30 "HP" - Horsepower

C1.31 "Ice operations" - Conditions prevalent when ice conditions are declared by the U.S. Coast Guard at or near the delivery point ordered, or when it becomes necessary for the tug to break or clear ice prior to docking, undocking, or shifting a tow

C1.32 "Linehandling" - Movement or transportation of the tow's lines ashore by tug's crew

C1.33 "Live tow" - a tow under her own propulsion, or which has her own propulsion available for use

C1.34 "LOA" - Length Overall

C1.35 "Master" - Interchangeable with "Tugmaster"

C1.36 "Moderate Weather" - Conditions up to and including sustained winds of Beaufort Force 3

C1.37 "Mooring" - see "Docking," above

C1.38 "MSC" - Interchangeable with "COMSC"

C1.39 "NAPS" - Navy Acquisition Procedures Supplement (issued by the Department of the Navy)

C1.40 "OT" - See "Overtime," below

SECTION C - STATEMENT OF WORK AND SPECIFICATIONS

C1.41 "Overtime" - 1801 through 0559 hours local time. Mondays through Thursdays; 1801 hours local time Fridays through 0559 hours the following Mondays; all Federal holidays. SEE SUBPART F OF THIS CONTRACT.

C1.42 "Owner" - That entity exercising commercial control of the Tug(s) identified in Part I; interchangeable with "contractor" and "offeror" and to include disponent owners and all the tugowner's and disponent owner's agents, managers, operators, charterers, employees, independent contractors, Tugmaster, Officers, and crew

C1.43 "Owner's Representative" - See "Representative." below

C1.44 "P & I" - Maritime protection and indemnity insurance

C1.45 "Part I" - All matter before page 1 of this Charter

C1.46 "Part II" - All matter after and including page 1 of this Charter

C1.47 "Paying Office" - See Box 18

C1.48 "Place" - Any berth, dock, anchorage, wharf, open roadstead, submarine line, or alongside any vessel, barge, lighter, submarine, craft, hull, derrick, or object of whatsoever nature, or any other place whatsoever to which the Government is entitled to direct the Tug hereunder

C1.49 "Pulling" - Tug with lines fast to a vessel aground

C1.50 "Readiness" - See Article H5

C1.51 "Representative" - Foreman, superintendent, dispatcher, supervisor, or manager employed and designated by Owner to respond to Government's requests for service under this Charter

C1.52 "RFP" - Request for Proposals

C1.53 "ROS" - Reduced Operational Status (see Article H15)

C1.54 "Shifting" - Assisting a tow from berth to berth, or alongside a dock, or from berth to permanent anchorage, or from permanent anchorage to berth (inclusive of docking or undocking)

C1.55 "SHP" - Shaft horsepower

C1.56 "Speed" - derived by dividing the total hours on any given passage (as shown in the Tug's log books and after excluding the number of hours elapsed during periods of non-Moderate Weather) into the total miles of that passage

C1.57 "ST" - See "Straight time." below

C1.58 "Standing by" - Tug awaiting orders at or alongside the delivery point ordered

C1.59 "Straight time" - Straight time is defined as an 11-hour day beginning between 0500 and 0900 hours. The Port Operations Officer will notify tug when its 11-hour day begins. The Government may change when tug shall commence straight time with 48 hours notice. SEE SUBPART F OF THIS CONTRACT.

C1.60 "SWL" - Safe Working Load

C1.61 "Telegraphic Response/Notice" - To the electronic-mail number(s) identified at Box 4, unless otherwise specified

C1.62 "Telephonic Response/Notice" - To the telephone number(s) identified at Box 5, unless otherwise specified

C1.63 "TIN" - Taxpayer Identification Number (see FAR 52.204-03, which is referenced at Article K3, herein)

C1.64 "Tow" - Any vessel, barge, lighter, submarine, craft, derrick, or object of whatsoever nature including anything carried thereon, to which Tug is entitled to be ordered under this Charter

C1.66 "Tug"/"Tugs" - Those Tugs identified at Part I and any other Tug(s) accepted by the Government for use under this Charter (the word "Tug" as used in this Charter is both plural and singular)

C1.67 "Tugmaster" - Of the Tugs identified in Part I

C1.68 "Undocking" - Assisting a tow from a berth to the stream off the pier

C1.69 "USCG" - United States Coast Guard

SECTION C - STATEMENT OF WORK AND SPECIFICATIONS

C2 MISSION

C2.1 Services. Tug(s) shall provide services specified within this contract including applicable J sections including handling ammunition barges and miscellaneous watercraft.

C2.2 Operations.

(a) Operating Area. Tug(s) will generally operate in the waters of the Chesapeake Bay including adjacent channels and navigable tributaries/waters.

(b) Operational Control. The tug(s) will perform under the operational control of the Port Operations Regional Commander, Naval Station, Norfolk, VA. or his/her designee.

(c) Temporary Release for Commercial Service.

(i) General. Owner agrees to seek commercial employment in accordance with Owner's offer, as accepted. Release for Commercial Service adjustments to FOS/ROS rates (Box 33) shall be in accordance with Owner's offer, as accepted, to the extent they meet or exceed the minimum consideration specified herein. In the event tug(s) are released for commercial service, deductions will be taken, which at a minimum, reflect a prorated portion of the charter hire in effect. For example, if a tug in ROS status is released for a two hour period of commercial service, 1/12 of the ROS rate will be deducted from charter hire. In addition, the Government will deduct the value of bunkers used during the commercial service period, which shall be calculated by using tug(s) fuel consumption for harbor work (provided in Attachment J2) multiplied by the DoD fuel rate in effect during the period.

(ii) Approvals. Should the Owner locate such employment, a written request shall be promptly submitted to the Port Operations Officer for approval. The request shall specify proposed employment, including location and schedule. The decision to approve such temporary commercial service shall be at the sole discretion of the Government.

(iii) Release. If the Government approves such service, the tug(s) shall be considered released to its Owner for Commercial Service from the time of departure from Government berth, until time of arrival at Government berth. In the event of emergent Government requirements, the Owner shall return to Government service with utmost dispatch.

(iv) Indemnification. During periods of release for commercial employment, the Owner shall bear the full risk of commercial employment and shall be solely liable to third parties for any damages arising from such service. The Owner hereby agrees to indemnify and hold harmless the Charterer and the U.S. Government from any and all third party claims relating to or arising under commercial employment.

(v) Charterer's Rights. Commercial employment shall not interrupt the running of the charter period nor the Charterer's rights under Article H9 of the contract.

C2.3 Distribution. Tugs will be homeported in the stated locations. However, the Government reserves the right to reassign the aforementioned tugs to meet emergent requirements.

(i) Firm Contract: Seven (7) tugs are required for the firm contract. Six (6) tugs will be stationed primarily at NAVSTA, Norfolk, one (1) tug will operate primarily in and around Little Creek.

(ii) Optional Quantities: Should the Government exercise its option, one (1) tug of approximately 100,000 lbs forward bollard pull 65,000 lbs side bollard pull) and 4200 SHP will operate at NAVSTA Norfolk.

C2.4 Availability/Response Time.

C2.4.1 Regular Working Hours: During regular working hours (which for the purposes of this contract, are defined as straight time (see Article C1.59)), all tug(s) shall be fully crewed and available for service within fifteen (15) minutes notice by the Government.

C2.4.2 All Times: One tug at NAVSTA, Norfolk and one tug at NAB Little Creek, shall be fully crewed and available for service within fifteen (15) minutes notice by the Government 24 hours per day, seven days a week.

C2.4.3 Non-Regular Working Hours: In addition to tugs under Article C2.4.2, one tug shall be fully crewed and available for service upon one hour notice by the Government after regular working hours at each of the following locations: NAVSTA, Norfolk.

C2.5 Government Furnished Facilities and Services.

(a) Berthing. The Government shall provide dock space. Fresh water, shore power and facilities for sewage/trash removal shall be provided on a reimbursable basis for up to 8 tugs. Contractor is responsible for proper disposal of hazardous materials and oily waste.

(b) Parking. The Government shall provide three (3) parking space per tug for 24-hour contractor personnel.

(c) Office space. The Government shall provide nominal (200 sq. ft) desk and work space, if required.

(d) Storage. The Government shall provide 2,000 square feet of storage area on a manned barge, equipped with fresh water, electricity and bathroom facilities, in the area of the tug berths.

(e) Fuel. The Government will furnish (IAW FAR52.245-02) Marine diesel fuel (#2 grade) for Government related operations.

SECTION C - STATEMENT OF WORK AND SPECIFICATIONS

C3 TUG SPECIFICATIONS

Owner warrants that the Tug performing under this Charter shall be in full conformity with the following specifications, in addition to all other requirements of this Charter from the time of delivery and during the currency of this Charter:

C3.1 Particulars:(a) General.

(i) Owner warrants that the Tug is as described in Part I and Attachment J2 of this Charter.

(b) Registry.

(i) Tug shall be U.S. flag and shall be classed by a recognized classification society for hull and machinery.

(c) Regulatory Compliance.

The Owner warrants that the Tug and all Associated Equipment shall be in full compliance with all applicable international conventions and all applicable laws, regulations, and other requirements of the United States including all U.S.C.G. regulations. The Owner further warrants that the Tug shall have on board during the currency of this Charter all certificates, records, or other documents required by the aforesaid conventions, laws, regulations, and requirements, including a Certificate of Financial Responsibility meeting the requirements of the Federal Water Pollution Control Act, as amended, and/or the Oil Pollution Act of 1990.

(d) Complement.

(i) General. The Owner warrants that the Tug shall have an efficient and legally sufficient complement of Tugmaster and crew with adequate training and experience in towage and operation of all of the Tug's equipment. The Tugmaster and entire crew shall be U.S. citizens and possess valid and current certificates and documents. The Tugmaster and entire crew shall be proficient in spoken English. The Tugmaster and crew of Tug shall be appointed or hired by the Owner and shall be deemed to be the servants and agents of the Owner at all times except as otherwise specified in this Charter. The Tugmaster of the Tug shall be under the direction of the Charterer as regards the employment of the Tug, but shall not be under Charterer's orders as regards navigation, care and custody of the Tug.

(ii) Charterer's Instructions. The Charterer shall furnish the Tugmaster with all requisite instructions and sailing directions, in writing, including COMSCINST 3121.9 "Standard Operating Manual," as revised. The Tugmaster shall exercise due diligence to observe all such orders and instructions of the Charterer in respect of the Charterer's employment of the Tug's services.

(iii) Conduct of Tugmaster or Crew. If the Charterer shall have reason to be dissatisfied with the conduct of the Tugmaster or crew, the Owner shall, on receiving particulars of the complaint, investigate it, and if necessary make a change in personnel.

(iv) Administrative Requirements. Owner warrants compliance and cooperation with all administrative requirements, including any necessary investigative actions required by the Government in obtaining security clearances if required.

SECTION C - STATEMENT OF WORK AND SPECIFICATIONS

C3.1(e) Performance Specifications.

(i) Suitability. Each tug shall be suited for the work required and stated in the solicitation.

(ii) Bollard Pull. Each tug shall have approximately 100,000 lbs of forward and astern bollard pull, and 65,000 lbs of side bollard pull.

(iii) Shaft Horsepower. Each tug shall have approximately 4200 SHP.

C3.1(f) Physical Specifications.

(i) Tug Type. All tug(s) shall be tractor-like and with multiple main propulsion systems design.

(ii) Maximum Dimensions.

(a) Tug(s) maximum draft (loaded) shall not exceed 18 feet.

(b) Tug(s) shall not exceed 50 ft beam.

(c) Tug shall be not exceed 110 ft LOA.

(d) Tugs must be low profile; capable of working around all vessels listed in Attachment J1. Recommend the pilot house height of approximately 24 feet, depending on where and how the pilot house is situated on deck, as this has been determined to provide the safe working distance between the tug and hull of such vessels as it will be handling.

(iii) Fendering. Each tug shall be so fendered so as to prevent metal-to-hull contact when assisting surface and subsurface vessels/objects of the classes/types listed in Attachment J1 under all conditions of vessel pitch and roll. Such fendering shall be non-marking.

(iv) Configuration. Each tug shall be so configured so as to prevent metal to hull contact when assisting surface and subsurface vessels/objects of the classes/types listed in Attachment J1 under all conditions of vessel pitch and roll. The Contractor shall provide tug propulsion unit protection.

(v) Personnel Transfer Brow. Tug shall be equipped with a personnel transfer brow capable of transferring personnel and gear to all classes of submarines. Recommend length of 20 feet, two feet useable width, and capable of being positioned in any direction in a 90 degree arc from abeam to straight astern. The brow shall be fitted with rubber covered roller(s) to prevent metal to metal contact with vessel decks.

(vi) Navigational and communications.

(a) Each tug shall have the minimum navigational and communications equipment required by the US Coast Guard and FCC for inland and international waters. Additionally, tug must be

equipped with radar, fathometer, and SATNAV/GPS, and one set of fixed VHF radios.

(b) Tug shall have VHF conventional communication operating on the following frequencies:

NAVSTA, Norfolk 141.950MHZ, 142.050MHZ, 142.650 MHZ, 142.000MHZ

NAB, Little Creek Port Ops 156.6 (Monitor Ch #12), NAB #1 140.350MHZ, NAB #2 140.975MHZ

(b) Tug shall be equipped with one exterior loudhailer.

(vii) Firefighting Capability.

(a) Tug shall have a fire system capable of providing 3000 GPM at 125 PSI at fire stations and of delivering firefighting foam or light water through all fire hoses and monitors at each station.

(b) Tug shall have a minimum of two fire monitors capable of providing 3000 GPM at 125 PSI at fire stations to provide 360 degrees coverage.

(c) Tug shall have a minimum of two fire stations (one port and one starboard) capable of providing 3000 GPM at 125 PSI to provide 360 degrees coverage. Each station shall be equipped with 1.5" and 2.5" hose fittings.

(d) Tug shall be capable of injecting and delivering firefighting foam or light water through all fire hoses and monitors at each station.

(viii) Equipment.

(a) Capstans/Winches. Tug shall have sufficient fore and aft capstans or winches to perform the services listed in this charter party (see Articles C2 and C4). Such capstan shall have a minimum safe working load of 29,000 lbs and 40 ft. per minute pay-out/haul-in speed.

(b) Lines/Wires/Gear. Each tug shall be equipped with sufficient synthetic lines and wires and associated equipment to safely and efficiently perform the services listed in this Charter (see Articles C2 and C4). Attachment J6 ("RECOMMENDED LINE INVENTORY") provides examples of lines. Additionally, Tug shall have assist lines that have a specified breaking strength not less than three times the tug's maximum bollard pull.

(c) Tug shall carry and maintain two aluminum pilot ladders: A 12 ft ladder and a 22 ft ladder.

(d) Tug must provide its own gangway at berth.

SECTION C - STATEMENT OF WORK AND SPECIFICATIONS

(vii) Wind State. Each tug shall be capable of performing work in winds equivalent to Beaufort force 8 (wind speed of 34 - 40 knots).

(viii) Speed. Tug shall be capable of a minimum transit speed of approximately 11 knots at 80% rated horsepower.

(ix) Range. Tug shall have a minimum operational range of 504NM. Endurance shall be eight days.

(x) Crew Requirements. In addition to those requirements set forth in Articles C3.1(c) and (d), tugmasters must have, or be capable of obtaining prior to employment on the tug, a confidential clearance. Contractor must have, or be capable of obtaining, a "confidential"-level facilities clearance. An interim security clearance must be obtained prior to any performance under the contract. Contractor is responsible for performing a complete background check of all crew members, proof of which shall be provided to station Security. Appropriate crew members must have a Coast Guard license.

(xi) Personnel.

(a) Project Manager. The Contractor shall ensure a project manager is present on-site with full authority to act for the Contractor in providing tugboat service operations.

(b) Uniforms. All Contractor employees shall wear a contractor-furnished uniform with identification on front and back. Employee names shall be visible on front of outer clothing. Company name shall be in large letters on the upper back area of the outer garments.

(c) Identification. Each employee shall be furnished with identification badges as directed and approved by the Government.

(xii) Other.

(a) Tug shall be have a minimum sewage capacity of 24 hours.

(b) Tug shall be capable of transporting up to 12 personnel in addition to Tugmaster and crew without provisions for berthing and victualling.

SECTION C - STATEMENT OF WORK AND SPECIFICATIONS

C4 OWNER-FURNISHED SERVICES

(ix) Submission of reports outlined in Attachment J-4

C4.1 Towage.

(a) The following list, all-inclusive in neither scope nor description, is illustrative of the towage services to be performed under this Charter:

(i) Towing, twisting, mooring, berthing, docking, undocking, shifting, assisting, pulling, and escorting those vessel types identified at Attachment J1. Government reserves the right to use Government-owned or controlled Tugs or vessels separately or jointly with Owner's Tug in the performance of any services listed in this Charter.

(ii) Towing, twisting, mooring, berthing, docking, undocking, shifting, assisting, pulling, and escorting miscellaneous other vessels, barges, submarines, craft, hulls, sleds, derricks, lighters, and objects of whatsoever nature including anything carried thereon. Government reserves the right to use Government-owned or controlled Tugs or vessels separately or jointly with Owner's Tug in the performance of any services listed in this Charter.

(iii) Towage services shall include the handling of ammunition barges.

C4.2 Other.

(a) The following list, all-inclusive in neither scope nor description, is illustrative of the other services to be performed under this Charter:

(i) Owner's Representative shall promptly respond to Government's requests for services under this Charter on a 24-hour-day basis

(ii) Transfers of pilots and other personnel by tug.

(iii) Tug emergency support services, including responses to weather conditions threatening vessels, piers, drydocks, or shore facilities; shipboard fires; vessels aground; vessel equipment failures; downed aircraft; oil spills; missions of mercy; collisions; ammunition mishaps; and search-and-rescue operations.

(iv) Icebreaking, to Tug's capability

(v) Linehandling

(vi) Providing personnel (other than a riding crew) to go aboard a tow

(vii) Directing the connection and release of tow if there is no pilot or other authorized officer directing the move

(viii) Allow for use of the tug for Navy personnel training in vessel handling

SECTION C - STATEMENT OF WORK AND SPECIFICATIONS

C4 OWNER-FURNISHED SERVICES (Continued)

General. The Contractor shall furnish all management, administration, quality control, supervision, labor, security, transportation, equipment, materials, and supplies required for performance of this contract.

C4.3 Emergency Situations.

(a) General. In the event that the Owner is unwilling or unable to perform those duties as directed, or to timely respond to emergency situations, and upon determination by the Commander-in-Chief, Atlantic Fleet (CINLANTFLT) or his designated representative that the emergency so requires, the Owner agrees to relinquish custody and control of the tug(s) to the Government in order to allow the Government to respond to the emergency situation using the Owner's tug(s)/equipment augmented in whole or in part by a Government crew. Such determination shall be provided to the Tug master or designated representative: the Commander, Military Sealift Command; the Contracting Officer; and the Contracting Officer's Representative. The period of Government operation and control shall not exceed that time required to respond to the emergency and properly return the tug(s) to Owner's control.

(b) Mitigation. Owner release of the tug(s) for emergency operation by the Government shall serve to mitigate Owner's liability, if any, under the Termination for Default Clause, such value associated with the release of tug(s) to the Government to be offset against the Contractor's liability under the Termination for Default. During a period of partial or complete augmentation of crew by the Government, as a result of default, the Owner shall not be entitled to charter hire.

(c) Owner Responsibility. The Owner shall cooperate and provide assistance in reactivation of the tug(s) from cold iron and any other assistance directed by the authorized Government representative(s).

(d) Government Responsibility. The Government shall be responsible for loss or damage to the tug(s) during periods of complete crew augmentation by the Government. During periods of partial crew augmentation, the Government shall be responsible for damages resulting from Government action in accordance with the Federal Tort Claims Act.

(e) Condition of Default. Any failure, untimely response, or refusal to perform any of the services in Section C4 may be considered a condition of default under this charter, unless otherwise excepted.

C4.4 Administration and Reports. The Contractor shall be responsible for Government reports, (see Attachment J-4 ("LIST OF REPORTS TO BE FURNISHED BY THE CONTRACTOR")) correspondence, messages, and publications as specified in the contract including, but not limited to:

(a) Tug Movement Log. The Contractor shall keep a log of tug movements, providing copies to the Norfolk Port Operations Officer and to the COR on a monthly basis.

(b) Personnel Roster. The Contractor shall provide a Personnel Roster upon delivery which shall provide the name, address, position, and license of all crew and on-site personnel. The Personnel Roster shall be updated within five days of crew or staff changes and shall include a phone listing of key personnel and stations on the tug(s).

(c) Fuel Consumption. The Contractor shall provide a report summarizing fuel usage, by tug, shall be submitted on a monthly basis to the NAVSTA, Norfolk Port Operations Officer and to the Naval Fleet Auxiliary Force Program, Code PM13D, Military Sealift Command, Washington Navy Yard, 914 Charles Morris Court SE, Washing D.C. 20398-5540.

(d) Accident. Accident reports are to be provided to the COR upon the occurrence of an accident.

(e) Federal Government Publications. The Contractor shall be responsible for maintaining and complying with publications and updates provided during the term of the Charter (see Attachment JS ("GOVERNMENT FURNISHED PUBLICATIONS")).

SECTION E - INSPECTION AND ACCEPTANCE

E1 INSPECTION

E1.1 In General.

(a) Per Section C3, Tug Specifications, the Tug and Associated Equipment shall be subject to the Government's inspection as to suitability for the required service prior to the award of this Charter, and to subsequent inspections at any time during the currency of this Charter to determine continuing suitability for the required services as well as to determine whether the material condition of the Tug and Associated Equipment will prevent effective operation during basic and optional periods (if any) of this Charter. Such inspections shall include but not be limited to:

(1) Condition and operability of navigation and communication equipment and provision of appropriate technical manuals and onboard spares

(2) Condition (tightness and preservation) of hull, deck plating, superstructure, and fendering; and the operability of winches/cranes/capstans

(3) General material condition and maintenance of the Tug

(4) Condition, operability and certification of required safety and firefighting equipment

(5) Operability and safety of engineering spaces and equipment

(6) Bunker survey, when appropriate

(7) Condition and operability of all lines, wires, hawsers, and other towing gear

(b) The Government further reserves the right to have the Tug surveyed at any time by an independent surveyor.

(c) If in the opinion of the Government Inspector deficiencies exist that preclude the adequacy of the Tug for the assigned service, a notice for correction will be issued. In the event that the stated deficiencies are not corrected in a reasonable period of time and in the opinion of the Contracting Officer (based upon the recommendation of the Government Inspector and/or the independent surveyor) the Tug is inadequate for the intended service or unable to operate for the remaining period of the Charter as a result of these deficiencies, the Government reserves the right to cancel this Charter at no cost to the Government at any time during the term of the Charter, or take any other action available under this Charter or authorized by law.

E1.2 Predelivery Inspection.

(a) A predelivery inspection of the Tug may be held at Government's option upon the request of the Owner; such inspection shall be of an advisory nature only. At any such

inspection, any representation of a Government representative present or lack thereof, shall not be binding on the Government. This inspection shall be conducted, if possible, in a shipyard and on a date mutually agreeable to the Owner and the Government. The Owner will be advised of the condition of the Tug and Associated Equipment found by the Inspector. This predelivery procedure is to enable the Owner to correct any deficiencies discovered, if any, before the delivery inspection. The results of any predelivery inspection under this Article shall further be without prejudice to any later determinations that any Tug or associated equipment is unsuitable under this Charter, whether made at the delivery inspection or at any time during the currency of the Charter period including options if exercised.

E1.3 Reservation.

(a) Nothing contained in this Article shall be in derogation of any additional rights of the Government under the terms of the Government Clause incorporated at Article E2 of this Charter.

E2 FAR 52.246-04
INSPECTION OF SERVICES - FIXED PRICE
(FEB 1992)

SECTION F - DELIVERY AND PERFORMANCE

F1 DELIVERY

F1.1 Laydays. The Tug and all Associated Equipment shall be delivered to the Charterer at a port or place in accordance with Box 6 not later than 1600 hours local time (place of delivery) on the canceling date stated in Box 10, the Owner giving written notice of readiness to the appropriate Government representative at the port or place of delivery on a working day (Saturdays, Sundays, and U.S. Government holidays and local holidays shall not be considered working days) during office hours. Government inspection of the Tug shall be completed within a reasonable amount of time thereafter, not exceeding twenty-four (24) hours after proper tender of the notice of readiness. Sundays and U.S. Government holidays and local holidays excepted in the computation of said twenty-four hour period. Unless otherwise agreed, hire shall commence upon acceptance of all Tug by the Charterer, but not before the commencing date stated in Box 10, unless approved in writing in advance by the Contracting Officer. Charterer shall have the liberty to cancel this Charter at no cost to the Government should Tug and Associated Equipment not be ready in accordance with the provisions herein by the canceling date stated in Box 10, said cancellation to be declared not later than twenty-four (24) hours after 1600 hours local time (place of delivery) on the canceling date stated in Box 10, should the Tug or Associated Equipment not be ready by that time. This Article shall not limit any right of the Government under this Charter Party, or any right to take any other action authorized by law.

F1.1(a) Laydays:

<u>Commencing</u>	<u>Canceling</u>	
Tug 1: 1 December 1999	31 December 1999	✓
Tug 2: 1 December 1999	31 December 1999	✓
Tug 3: 1 January 2000	31 January 2000	✓
Tug 4: 1 January 2000	31 January 2000	✓
Tug 5: 1 February 2000	28 February 2000	✓
Tug 6: 1 February 2000	28 February 2000	✗
Tug 7: 1 March 2000	31 March 2000	✗
Tug 8: TBN	TBN	✗

F1.2 Condition. The Tug and all Associated Equipment shall be, insofar as due diligence can make them so, seaworthy, properly and efficiently manned and trained, equipped, supplied, and in every way suitable and adequately fitted for and in all respects ready for the service contemplated under this Charter Party. Any Associated Equipment shall upon delivery be as described in this Charter Party. The Owner shall exercise due diligence to maintain

the Tug and Associated Equipment in such state during the period of the Charter Party.

F2 REDELIVERY

F2.1 Unless lost, the Tug shall be redelivered at a port or place in accordance with Box 7. Charterer shall give Owner not less than twenty (20) days notice of expected date and range of redelivery, and not less than ten (10) days notice of actual port or place of redelivery.

F3 PORTS/PLACES

F3.1 Safery. Tug may be ordered to any berth, dock, anchorage, wharf, place, open roadstead, submarine line, or alongside any vessel, barge, lighter, submarine, craft, hull, derrick, or object of whatsoever nature that Charterer may direct, provided the Tug can lie always safely afloat.

F4 CHARTER PERIOD

F4.1 This Charter Party shall be for the period designated in Box 8, from the date of acceptance of the Tug. Any optional periods shall be stated in Box 8; in addition, the Government shall have the Time Lost options as specified under Article H9 entitled "Time Lost" and the option to extend services specified in Article H4.0 entitled "Option to Extend Services". All optional periods shall be in direct continuation. All optional periods shall be without guarantee, at Charterer's sole option. Optional periods shall be declared not later than seven (7) days prior to the expiration of the period then current. Should Charterer exercise any option to cancel this Charter (if any such option is stated at Box 8), then said option to cancel shall be exercised in accordance with the prior-notice time frames stipulated at Article F2.

F5 FAR 52.242-15
STOP-WORK ORDER (AUG 1989)

SECTION C - INVOICING AND PAYMENT

G1 INVOICING AND PAYMENT

G1.1 Reimbursement. The Owner shall be reimbursed by the Charterer for all of the charges and expenses which are incurred by the Owner for Charterer's account as herein provided, upon presentation of such vouchers, receipts, and other documentation necessary to determine the charges and expenses fair and reasonable, as are required under the applicable provisions of this Charter Party and billing instructions provided thereunder, to the extent such charges and expenses are determined to be fair and reasonable.

G1.2 Prompt Payment. The due date for invoice payment remains as specified in paragraph (a)(2) of FAR clause 52.232-25 "Prompt Payment", incorporated herein, which provides a thirty-day due date for making invoice payments by the designated payment office.

G1.3 Invoice Payment. In accordance with Article G1.2, properly certified invoices for charter hire and fuel expenses, submitted in accordance with applicable billing instructions to the address identified in Box 15, will be scheduled for payment in accordance with the Prompt Payment Act.

G1.4 Interest. Notwithstanding Article G1.3 herein, the interest penalty for invoice payments hereunder shall be payable not sooner than the thirty-day limit stipulated by FAR 52.232-25(a)(5) and FAR 52.232-25(a)(2).

G1.5 Expedited Payment. To expedite payment, Owner may arrange with the Paying Office for courier receipt of payments due hereunder, or may submit with invoices self-addressed return envelopes furnished by an express-delivery service that are properly stamped with return postage or which bear Owner's delivery-service account number.

G1.6 Invoice Submission. Invoices under this Charter may be submitted by the Owner every fifteen (15) days to the office designated at Box 15. All invoices or claims whatsoever for moneys due the Owner under this Charter must be submitted not later than one year after the period of service being billed. Any said claim or invoice not so submitted shall be deemed waived by the Owner.

SECTION H - SPECIAL CONTRACT REQUIREMENTS

H1 DESCRIPTION OF THE TUG

H1.1 General

(a) Owner warrants that from the date of delivery of the Tug and throughout the period of the Tug's service under this Charter Party, the Tug shall be in a thoroughly seaworthy condition and as described in Part I and Attachment J2 of this Charter Party. Owner shall indemnify Charterer from any and all liability, loss, or damage arising out of or contributed to by any unseaworthiness of any Tug or any deficiency of its machinery, equipment, or personnel aboard. The power, speed, and fuel consumption of the Tug and other descriptions as set forth in Attachment J2 are warranties by the Owner. Should actual performance or readiness condition of the Tug show any failure to satisfy one or more of such warranties or other Charter requirements not due to the fault of the Charterer, the hire may be equitably decreased, this Charter may be terminated, or the Tug may be placed off-hire, at Charterer's option so as to indemnify the Charterer to the extent of such failure, this Charter Party otherwise to remain unaffected. Should any warranted specification of the Owner in Part I or any Attachment of this Charter Party be in excess of a required specification elsewhere identified in the Charter or solicitation, the warranted specification shall prevail over the required specification.

H1.2 Horsepower

(a) The Tug horsepowers identified in Attachment J2 are certified by an independent surveyor.

H1.3 Warranted Fuel Consumption and Speed(a) Transit Speeds and Consumption

(i) The Owner warrants that, unless otherwise ordered by the Charterer, the Tug is capable of maintaining and shall maintain, throughout the currency of this Charter Party, the average speeds in knots (identified in Attachment J2 at Box "w" as "Transit Speeds") at 80% of the Tug's shaft horsepower, without Tow.

(b) Towing Consumption

(i) When transiting at the speeds identified in Attachment J2 (at Box "y") in moderate weather, Owner warrants that daily fuel consumption in net barrels at 60 degrees Fahrenheit shall be at the average rate(s) identified in Attachment J2 (at Box "y"), for the grade(s)/viscosity(ies) therein identified to be consumed.

(ii) When towing at the speeds identified in Attachment J2 (at Box "x") in moderate weather, Owner warrants that daily fuel consumption in net barrels at 60 degrees Fahrenheit shall be at the average rate(s) identified in Attachment J2 (at Box "x"), for the grade(s)/viscosity(ies) therein identified to be consumed.

(c) Fuel costs resulting from consumption in excess of warranted fuel consumption rates will not be reimbursed. Further hire shall be equitably decreased to recover the cost of any fuel provided by the Government under Article H14 which is determined by the Contracting Officer to be in excess of that which should have been consumed based on offeror's warranted fuel consumption.

H2 RESERVEDH3 INSURANCE

H3.1 Requirement. During the full period of this Charter Party, Owner shall maintain, and shall, when requested, furnish a Certificate of Insurance evidencing the following insurance coverage:

(a) Broad-Form Towner's Liability insurance (including damage to the Tow) on each Tug performing under this Charter Party in the minimum amount of \$5,000,000, with trading limits adequate for the services contemplated herein.

(b) Towner's Protection and Indemnity liability insurance on each Tug performing under this Charter Party in the minimum amount of \$5,000,000, with trading limits adequate for the services contemplated herein.

(c) Hull and Machinery insurance on each Tug performing under this Charter Party, with trading limits adequate for the services contemplated herein.

The expense for all such insurance coverages shall be for the Owner's account and shall be deemed to be included in the hire payable under this Charter Party.

H3.2 ReservedH3.3 Reserved

H3.4 Limitation on Charterer's Liability. Except as otherwise specifically provided herein, the Charterer shall not be liable for any loss, damage, expense, cost, or liability whatsoever and howsoever incurred by the Owner or Tug which is recoverable under any insurance carried by the Owner.

H3.5 Notification to Charterer. Owner shall, to the maximum extent practicable, keep the Charterer, through the Contracting Officer, currently informed in writing as to the potential vitiation, suspension, lapse, or termination of any of Tug's insurance policies as a consequence of this Charter Party.

H3.6 Charterer Named Assured. The United States of America shall be named as an additional assured with waiver of subrogation under Owner's Towner's Liability policy, under the Hull and Machinery policy, and under the P&I entry. The naming of the United States on Owner's P&I policy shall be subject to the provisions of Owner's Privilege Clause, when such clause is substantially the same as Privilege Clauses standard in the industry.

SECTION H - SPECIAL CONTRACT REQUIREMENTS

H4 **RESERVED** (unless Article S9(H) "WAR" is specifically referenced in Box 15A)

H5 **READINESS**

H5.1 Readiness is a required service of the Tug chartered herein. Readiness shall be defined as the ability of Tug and Associated Equipment to perform the function for which designed, built, or chartered, including the ability to deploy without delays, whether or not so ordered to perform. Should actual performance or condition of the Tug or Associated Equipment show any failure to satisfy one or more of the Owner's warranties, or render the Tug in less than a fully efficient state, the hire will be proportionately decreased so as to indemnify the Charterer to the extent of such failure, this Charter Party to remain otherwise unaffected. Failure of the parties to agree upon the extent of the proportional decrease in hire shall be a dispute under the clause entitled "Disputes" incorporated herein by reference in Section I. Nothing in this clause shall limit the rights of the Charterer to place the Tug off-hire pursuant to clause H6.

H6 **OFF HIRE**

H6.1 General. In the event of the loss of time resulting from deficiency and/or default of men including but not limited to misconduct, illness, injury, strikes, labor disruptions, lockouts, or deficiency of stores; fire; breakdown of, or damages to, hull, machinery, or equipment; collision; stranding; grounding; detention by authorities; repairs; inspections; drydocking for the purpose of examination or painting bottom; or deviation for the purpose of landing any ill or injured person on board other than any passenger, supercargo, or military personnel aboard the Tow or who may be carried aboard any Tug at Charterer's request; or by any other cause whatsoever preventing the full working of any Tug; the payment of hire shall cease for all time lost until the Tug is again ready and in a fully efficient state to resume her service from a position not less favorable to the Charterer than that at which such loss of time commenced. Should any Tug deviate or put back contrary to the orders or directions of the Charterer for any reason other than unseaworthiness of the Tow, the hire is to be suspended from the time of her deviating or putting back until she is again ready and in a fully efficient state to resume her service from a position not less favorable to the Charterer than that at which such loss of time commenced. When the period of time lost to the Charterer on any one occasion is less than four consecutive hours, the hire shall not be reduced for such period.

H6.2 Costs for Owner. The cost of fuel consumed while the Tug is off-hire, as well as all port charges, pilotages, and other expenses incurred during such period and consequent upon the putting in to any port or place other than to which the Tug is bound shall be borne by the Owner. All fuel used by the Tug being driven into port or to shallow harbors or to rivers or ports with bars, the delay of the Tug and/or expenses resulting thereto, shall be for Charterer's account.

H6.3 Speed and Fuel Warranties. If any Tug fails to make the speed warranted in Part I of this Charter Party, or any Tug's fuel consumption exceeds that warranted in Part I of this Charter Party,

due to defect in or breakdown of any part of her hull, machinery, or equipment; casualty; or inefficiency of Tugmaster, Officers, or crew or their failure to proceed with utmost dispatch, the hire for the time lost (if the Tug is delayed more than twelve hours), and the cost of extra fuel consumed, if any, shall be borne by the Owner. Any delay by ice shall be for Charterer's account.

H7 **RESERVED**H8 **GOVERNMENT PERSONNEL**

H8.1 Charterer's Option. The Charterer shall have the option of carrying passengers, of assigning officers and/or enlisted men aboard any Tug for duty purposes and appointing supercargo (supercargo as used herein is both plural and singular) as far as accommodations and United States Coast Guard certification allow. Charterer shall pay an amount of \$32.00 per day, per person, covering all expenses including accommodations and victualling. Owner shall victual U.S. Government representatives, pilots and Customs Officers when authorized by Charterer. Charterer shall pay \$7.00 per meal for all such authorized and approved victualling provided as a result thereof.

H8.2 Military Personnel. In addition to the carriage of personnel noted in Article H8.1 above, Charterer shall have the option to assign other military personnel aboard any Tug. Such personnel are not to require victualling, berthing, or sanitary facilities from any Tug unless requested by the military commander aboard, in which case the Owner will be reimbursed out-of-pocket expenses not to exceed the amount per person per day set forth in Article H8.1 above. Charterer will supply life floats and jackets for the use of such military personnel carried aboard any Tug during the charter period. Such items to be removed by Charterer at the termination of the Charter.

H8.3 Charterer's Liability. The Charterer shall be liable to the Owner for any loss of the Tug's fittings or appurtenances or any damage to any Tug, her fittings, or appurtenances caused by the act of passengers, supercargoes, evacuees or military personnel in the embarkation, carriage or debarkation of passengers, supercargoes, evacuees or military personnel to the extent such loss or damage is not payable under the Tug's insurance policies; provided the Charterer shall not be liable for such damage unless written notice specifying such damage, and if obtainable, the name of the party or parties causing such damage shall have been given to the Charterer or its authorized representative within a reasonable time.

H9 **TIME LOST**

H9.1 Tacking to End of Charter Period. Any time lost by the Tug during the currency of this Charter Party (including during any option exercised) due to breakdown of machinery, interference by authority, collision, stranding, fire or other accidents or damage to the Tug, or repairs, inspections, overhaul and alterations, preventing the work of the Tug shall be added to the charter period at Charterer's sole option, declarable at least thirty (30) days prior to the termination of the charter period. Hire for such additional declarable period shall be at the same rate as in effect as of the date said declaration was made.

SECTION H - SPECIAL CONTRACT REQUIREMENTS

H9.2 Excessive Time Lost. The Government may by written notice cancel this Charter at no cost to the Government whenever, in any given 365-day period, for any reason whatsoever, more than thirty days are lost. Failure to cancel this Charter after thirty days are lost shall be without prejudice to any other rights of the Charterer, or any later right of the Charterer to cancel this Charter.

H9.3 Relationship to Other Remedies. No remedy conferred by this Article upon the Charterer is intended to be exclusive of any other remedy, but every such remedy shall be cumulative and shall be in addition to every other remedy already conferred by this Charter or now or hereafter existing at law or in equity or by statute.

H10 RESERVED

H11 PORT CHARGES AND EXPENSES

H11.1 Expenses for Charterer. Except as otherwise provided herein, Charterer shall pay all wharfage, dockage, canal tolls, dues, taxes, and similar port charges imposed by public authority including consular charges (except those pertaining to the Tugmaster, Officers, and crew) incurred by the Tug and/or Tow in ports visited pursuant to Charterer's direction. Agency fees, provided not incurred for the convenience of the Tug or Owner, shall also be for Charterer's account. The Charterer shall pay all pilotage charged to the Tug; however, in no case shall the Charterer reimburse the Owner for pilotage paid to the Tugmaster or crew. Surveyors or consultants as mutually agreed may be retained under this Charter in order to facilitate fact-finding in respect of actual or potential claim actions or for inspections or surveys generally; the costs therefor shall be as mutually agreed and, if for Charterer's account, said costs shall be incurred only after prior written approval from the Contracting Officer.

H11.2 Reimbursement. All of the charges incurred for Charterer's account as noted in Article H11.1 above shall be paid by the Owner if so required by the Charterer. The Charterer shall thereafter reimburse the Owner for such charges in accordance with Article G1 herein.

H12 OWNER'S OBLIGATION

H12.1 Provisions, Insurance, Wages, Fees and Other Expenses. The Owner shall, unless otherwise noted herein, provide and pay for all provisions; deck, engine room, and galley stores and fresh water; insurance on the Tug; wages of, transportation of, and services for Tugmaster and crew and consular fees pertaining to them in accordance with Article H11.1. Owner will be responsible for all port charges associated with the foregoing.

H12.2 Dispatch. The Owner, through its agents, employees and servants, shall commence and prosecute services made pursuant to this Charter with utmost dispatch and shall render all customary assistance with the Tug's crew and equipment.

H12.3 Logs. The Owner shall have maintained on board the Tug deck and engine room logs, true copies of which shall be retained by Owner and made available to the Charterer at any time upon

request at no cost to the Government for a period of at least ten years after the expiration of this Charter. Logs shall be legible and in English.

H13 RESERVED

H14 FUEL

H14.1 Delivery Bunkers. Upon delivery of each Tug, the Owner shall present to the Contracting Officer a statement certified by the Owner or his authorized agent showing the amount and grade of fuel on board at the time of delivery with such additional verification as the Contracting Officer may require and the Charterer shall pay the Owner for such fuel at the current market price at the port of delivery upon certification and verification of such statement by the Contracting Officer. The Charterer shall pay for the on-hire bunker survey, if performed by an independent surveyor and required by the Contracting Officer. The Owner shall provide additional bunkers as may be required by the Charterer prior to the acceptance of each Tug by the Charterer and the Charterer shall reimburse the Owner all costs directly connected with the bunkering of the additional fuel, including but not limited to lighterage, dockage and similar charges, and taxes related therewith.

H14.2 Provision of Fuel. The Charterer shall ordinarily supply or cause to be supplied any or all of the fuel required by the Tug during the period of this Charter. The grade of such fuel is to be specified by the Owner, and the grade supplied shall be at least that grade unless otherwise mutually agreed. The Owner shall be responsible for any fuel testing. Testing laboratory confirmation of compatibility and specifications of newly on-board delivered fuel shall constitute acceptance by Owner. The Tug shall not be off-hire in the event of delay resulting from the supply of fuel found to be off specification, unless for want of due diligence by Owner. If the Owner loads such fuel on any Tug at his own expense, the Charterer shall reimburse the Owner the reasonable cost of such loading.

H14.3 Owner's Purchase of Fuel. The Owner shall, if directed by the Charterer, purchase fuel for any Tug, in which case the Charterer shall reimburse the Owner the cost of all fuel (excluding lube oils) procured by the Owner and loaded in the Tug during the period of this Charter. If the Owner is required to incur costs under this Article by the Charterer, the Charterer shall thereafter reimburse the Owner for such costs upon presentation of properly certified vouchers, supporting receipts, and other documentation which justifies the charges as fair and reasonable in accordance with Article G1. The Owner shall not, however, be reimbursed any amount in excess of the current market price of such fuel at the place purchased plus all reasonable expenses incurred by the Owner in loading said fuel on board the Tug. The title to all fuel for the cost of which the Owner is entitled to be reimbursed hereunder shall automatically pass to and vest in the Charterer upon delivery to the Owner or upon the happening of any other event by which title passes from the vendor or supplier thereof to the Owner, in the case of any such fuel which is purchased for the performance of this Charter. The Charterer shall be afforded all

SECTION H - SPECIAL CONTRACT REQUIREMENTS

benefits of Owner's contracts for its fuel requirements, including but not limited to any savings addressed at Article H31.

H14.4 Off-hire. If the Tug should go off-hire during the period of this Charter, the Owner shall present to the Contracting Officer a statement certified by him or his authorized agent showing the amount of fuel on board at the time the off-hire period commenced and the amount of fuel on board when the off-hire period ended. The Charterer shall be credited for the cost of the fuel consumed during the off-hire period and also reasonable expenses incurred in loading such fuel, such costs to be based upon costs at the previous refueling point.

H14.5 Redelivery. Upon redelivery of the Tug the Owner shall present to the Contracting Officer a statement certified by the Owner or his authorized agent showing the amount of fuel on board at the time of redelivery. A bunker survey conducted by an independent bunker surveyor approved by the Charterer shall be performed at the port of redelivery or such other place as the Charterer shall direct, at Owner's time and expense. The Charterer shall be credited with the value of fuel on board at the time of redelivery, computed at the current market price at the port of redelivery.

H14.6 Reasonable Expenses. The term "reasonable expenses", as used in this Article, shall mean all reasonable costs excluding crew overtime which are necessarily incurred in loading said fuel on board the Tug, such as expenses incurred at tanker terminal; loading fuel from lighters, barges, or other craft used as lighters, including lighterage, lighter demurrage, or detention incurred; cost of shifting lighters for the convenience of the Tug, handling lighter lines; and such similar expenses which the Charterer shall find were necessarily incurred in the loading of fuel on the Tug during the period of this Charter.

H15 REDUCED OPERATIONAL STATUS (LAYUP)

H15.1 Charterer's Option. The Charterer shall have the option to direct the Owner to place the Tug in a period of reduced operational status (ROS). During any such period the rate of hire shall be as stipulated in Part I. The less-than-ten-day rates stipulated in Part I shall apply over the full term of: (a) any ROS period which actually extends less than ten days, and (b) any ROS period which is initially estimated by the Charterer to extend less than ten days. The ten-day-and-longer rates stipulated in Part I shall apply over the full term of any ROS period which is estimated to and does extend ten days or longer, without reference to any other ROS or FOS rates.

H15.2 Notice to Owner. The Charterer shall give the Owner written or telegraphic notice or, in the event notice is given by telephone, written or telegraphic confirmation of exercise of the option specified in Article H15.1, including with said notice an estimate of the duration of the ROS period. Such notice shall also specify the time at which the period of ROS is to commence, which time shall not be less than 48 hours subsequent to the receipt of such notice by the Owner or his representative. The Charterer shall give the Owner written or telegraphic notice or, in the event notice is given by telephone, written or telegraphic confirmation of

termination of the period of ROS. Such notice shall specify the time at which such period shall terminate, which time shall be at least 72 hours (Saturdays, Sundays and holidays excluded) subsequent to the receipt of said notice by the Owner or its representatives; provided however, that by agreement between the Owner and the Charterer the Tug may be returned to full operational status (FOS) before the time specified in the notice of termination of the reduced operational period.

H15.3 Repairs during ROS. During any period of ROS the Owner shall have the option of performing voyage repairs or maintenance work for his account.

H15.4 Negotiated Rates. Should savings be anticipated to exceed those reflected in the ten-day-and-longer rates identified in Part I on account of either the length of the ROS period or other unique circumstances at the port of layup, the Owner shall notify the Charterer. An appropriate ROS rate shall then be negotiated for the specific period.

H16 WAIVER OF CLAIMS

H16.1 All invoices or claims whatsoever for moneys due the Owner under this Charter must be submitted not later than one year after the relevant period of service. Any said claim or invoice not so submitted shall be deemed waived by the Owner.

H17 CHARTER NOT A DEMISE

H17.1 Nothing herein contained shall be construed as creating a demise of the Tug to the Charterer, the Owner under this Charter retaining complete and exclusive possession and control of the Tug and her navigation.

H18 SUBCHARTER

H18.1 The Charterer shall have the option, without the prior written consent of the Owner, to subcharter or agree to subcharter the Tug under any form of time or voyage charter. If Charterer shall enter into any such charter, Charterer shall nevertheless remain liable for the due performance of this Charter. Any such subcharter shall include a provision that it is subject to the provisions of this Charter Party.

H19 - H21 RESERVED**H22 EXCEPTIONS**

H22.1 Excepted events. Neither the Vessel, her Master, or Owner, nor the Charterer shall, unless otherwise in this Charter Party expressly provided, be responsible for any loss or damage or delay or failure in performing hereunder arising or resulting from any act of God, act of public enemies, pirates, or assailing thieves, arrest or restraint of princes, rulers or people, seizure under legal process provided bond is promptly furnished to release the Vessel, flood fire, blockage, riot, insurrection, or civil commotion; earthquake; or explosion, and all dangers and accidents of the seas and rivers throughout this Charter Party always mutually excepted. The Tug

SECTION II - SPECIAL CONTRACT REQUIREMENTS

shall have the liberty to sail with or without pilots, to tow and to be towed, to assist vessels in distress, and to deviate for the purpose of saving life or property, or to go into drydock or into ways with or without cargo on board.

H23 SALVAGE

H23.1 In the event of the Tow breaking away from the Tug under this Charter Party or in the case of emergency support ordered by the Government, the Tug shall stand by and render all reasonable services to reconnect the towline and other such services as will fulfill the terms of this Charter Party, without making any claim for salvage.

H24 LIMITATIONS

H24.1 Any provision of this Charter Party to the contrary notwithstanding, the Owner shall have the benefit of all limitations of and exemptions from liability accorded to the Owner or Chartered Owner of the Tug by any statute or rule of law for the time being in force except to the extent that contract terms entitle the Government to compensation from the Contractor for the Contractor's failure to perform the requirements and obligations of this Charter or such statute or rule of law limiting the Contractor's liability is subordinate to any statutorily mandated provision of this Charter Party by operation of law. Nothing in this Charter Party shall operate to limit or deprive the Owner of any statutory exceptions or limitation of liability on the theory of personal contract or otherwise.

H25 - H27 RESERVED**H28 ALTERATIONS**

H28.1 The Charterer shall be at liberty to make any additional alterations it may require beyond what is on board at the commencement of the Charter, such work to be done at Charterer's expense and on its time. The Charterer shall thereafter, during the period of this Charter, leave the Tug in its original condition, ordinary wear and tear excepted, provided that the Contracting Officer is notified in writing within 30 days of completion of any alteration that the Owner requests such restoration or removal. The Charterer shall be at liberty to install any equipment or defensive armament (including demagnetization by installed equipment or other process, e.g., degaussing, wiping or deperming), to install any additional gear or equipment for loading, carrying or discharging cargoes and to repaint the Tug. Such work shall be done at the Charterer's expense and on its time and shall not be such as to be in contravention of any applicable law of the United States or regulation made pursuant thereto. Such equipment, armament, materials and gear so fitted are to be considered "Government Property" under the terms of FAR clause 52.245-02 incorporated by reference in Section "I" herein. The Charterer shall, during the period of the Charter, remove the same together with any alterations and additions thereto at its expense and time and shall restore the Tug to her condition and color prior to such changes, ordinary wear and tear excepted. The Government shall have the right to abandon in place any alteration or Government-furnished property, unless the Contracting Officer is notified in

writing within 30 days of completion of any alteration that the Contractor requests such restoration or removal.

H29 BROKER

H29.1 The broker of this Charter, if any, shall be the party identified in Box 17. Brokers must obtain a power of attorney executed by the Tug's Owners prior to submitting offers under their own signatures, signing representations and certifications or executing finalized contracts under this Article and must submit same to Government with finalized contract. Any commission, percentage, brokerage, or other fee contingent upon or resulting from the award of this Charter Party shall be for the Owner's account. Owner has furnished the Government a completed Standard Form 119, "Statement of Contingent or Other Fees", to the address stated in Box 4, if required. Under no circumstances will the Contracting Officer accept a Standard Form 119 executed by any entity other than the principal contractor.

H30 STANDARDS OF APPEARANCE

H30.1 It is important that the operation meets the highest possible standards of appearance and Tug smartness. To this end, the Owner and operator will institute a continuous program of Tug maintenance. The hull, decks, deckhouse and all appurtenances will be cleaned and preserved as necessary and painted as required. The interior of the Tug's deckhouses will be maintained in a clean and orderly state, with all equipage properly and securely stowed. The main and auxiliary machinery spaces will be kept clean and free of excessive accumulations of oil and debris. All spaces will be lighted to allow safe operation and correct maintenance of machinery and equipment. The crew shall maintain a clean, groomed and professional appearance.

H31 SAVINGS

H31.1 The Owner agrees that any refunds, rebates, credits, discounts, insurance payments or other amounts (including any interest thereon) accruing to or received by the Owner under this Charter shall be paid by the Owner to the Government to the extent that they are properly allocable to costs, expenses, or reimbursements for which the Owner has been reimbursed by the Government under the terms of this Charter. The foregoing shall apply to any savings to the Owner resulting from a fleet reduction, applied on a pro rata basis.

H32 RESERVED**H33 LAW GOVERNING**

H33.1 The interpretation of this Charter Party and of the rights and obligations of the parties thereto shall be governed by the laws of the United States.

H34 - H35 RESERVED**H36 SUBSTITUTION**

SECTION H - SPECIAL CONTRACT REQUIREMENTS

H36.1 Emergency Substitution.

(a) In the event that any Tug is placed off-hire, and either Owner or Charterer reasonably expects that said off-hire period shall exceed four hours, Charterer shall have the option to require Owner to substitute another tug and certified crew to perform under this Charter Party. Should Charterer exercise this option Owner shall, within a period of six (6) hours after the period of off-hire commenced, have deployed a substitute tug meeting the criteria of Article H36.1(b), then fully ready to perform in accordance with this Charter Party, upon arrival at the Tow or other work site designated by Charterer.

(b) Any tug nominated to be a substitute tug under this Article shall result in no cost increase for Charterer; shall have substantially the same characteristics noted in Attachment J2 as the Tug for which substituted; shall be similarly fitted and otherwise equal or superior in performance as compared with the Tugs identified in Attachment J2; shall not, together with all other Tugs then under charter, diminish the aggregate bollard pull or horsepower identified for all Tugs in Attachment J2; shall meet the Charterer's minimum requirements; shall result in no operational delay for Charterer except as provided in Article H36.1(a) above; and shall not otherwise excuse any other performance required under this Charter Party.

(c) All notifications concerning emergency substitutions by either Charterer or Owner may be made in writing or, if confirmed in writing within forty-eight (48) hours, orally. Charterer's notice of acceptance or rejection of the substitute tug shall be made within a reasonable time following Owner's nomination thereof, provided that Charterer is furnished sufficient information on which to base such a determination. Silence of the Charterer shall not be construed as acceptance of any nominated tug.

(d) Notwithstanding Charterer's prior acceptance of any substitute tug under this Article, Charterer may at any time reject any previously accepted substitute tug if it is determined that the characteristics of this substitute tug were misrepresented by the Owner or are otherwise unsuited to the requirements of this Article.

H36.2 Permanent Substitution.

(a) Owner may nominate a substitute tug to perform the services of any Tug identified in Part I. Any such substitute tug shall meet the criteria of Article H36.1(b).

(b) All notifications concerning permanent substitutions by either Charterer or Owner may be made in writing or, if confirmed in writing within forty-eight (48) hours, orally. Charterer's notice of acceptance or rejection of the substitute tug shall be made within a reasonable time following Owner's nomination thereof, provided that Charterer is furnished sufficient information on which to base such a determination. Silence of the Charterer shall not be construed as acceptance of any nominated tug.

H37 SHIP PHYSICAL SECURITY

H37.1 General. The Owner will comply with and implement the Ship Physical Security Requirements contained in COMSC Instruction 5530.3A "MSC Ship Physical Security", as revised, incorporated herein by reference with the same force and effect as if given in full text. Upon request the Contracting Officer will make the full text available.

H37.2 Reimbursement. Reimbursement for recurring costs of "Condition Delta" shall be three hundred dollars (\$300) per day for up to three (3) days. All other costs (non-recurring) shall be included in the basic hire.

H38 RESERVED

H39 LOADING AND DISCHARGING

H39.1 The Government may load aboard any Tug any equipment, seaworthiness permitting. Any loading, discharging, and securing thereof shall be Government's responsibility if same cannot be effected with crew and material onboard the Tug.

H40 RESERVED

H41 TOWING LIABILITY

H41.1 Any and all costs associated with the following shall be for the sole account of the Owner without recourse to the Government, provided any of the following results during the performance of services under this Contract, or preparations therefor, from any negligence, wrongful act, or omission of Owner or its agents, servants, employees, or subcontractors; or from any unseaworthiness, unfitness, or breakdown of any Tug, gear, or other equipment furnished by Owner under this Contract:

(a) Injury or death of Tugmaster or crew of the Tug, or of Captain, Officers, or crew of the Tow;

(b) Injury or death of any other person aboard the Tug or tow;

(c) Loss or damage of whatsoever nature sustained by the Tug or Tow, or any property aboard the Tug or Tow;

(d) Loss or damage of whatsoever nature caused to or suffered by third parties or their property by reason of contact with the Tug or Tow, or by any obstruction created by the presence of the Tug or Tow;

(e) Any liability in respect of wreck removal for the Tug or Tow, or in respect of the expense of moving or lightening or buoying the Tug or Tow, or in respect of preventing or abating pollution originating from the Tug.

H41.2 Whenever the Tugmaster (or any crew) of any Tug furnished or engaged in furnishing tug power or assistance to any vessel (which vessel utilizes or has readily available her own propulsion capability) goes aboard said vessel, or when any licensed pilot goes aboard said vessel, said Tugmaster, crew

SECTION H - SPECIAL CONTRACT REQUIREMENTS

member, or licensed pilot becomes the servant of the Owner of said assisted vessel in respect of the giving of orders to any of the Tugs provided for or engaged in said services and in respect of the handling of the vessel. Further, neither those providing the Tug or pilot, nor the Tug, its Owners, charterers, operators, managers, or agents shall be under any liability for executing the orders of said Tugmaster, crew member, or licensed pilot, nor shall same be liable for any damage resulting therefrom, unless said damage is caused or results from the negligence or wrongful act or omission of the Tug Owners, charterers, operators, managers, employees, or agents of those furnishing the tug or pilot.

H41.3 In all instances in which any vessel being handled by Owner's Tug sustains damage or is involved in any incident resulting in damage to vessels or property, or in bodily injury or death, Owner shall secure a report from the Tugmaster or Officer acting as pilot, or from any licensed pilot aboard the vessel being handled. Owner shall submit said report in triplicate to the Contracting Officer within twenty-four hours following said incident, reporting the facts, listing deaths, reporting the extent of damages or bodily injuries, and listing recommendations to prevent recurrence.

H42 TOW-WORTHINESS OF THE TOW

H42.1 The Government shall exercise due diligence that the Tow at the commencement of its towage shall be in a proper condition for the towage contemplated.

SECTION I - CONTRACT CLAUSES

- 11 FAR 52.202-01
DEFINITIONS (OCT 1995)
- 12 FAR 52.203-03
GRATUITIES (APR 1984)
- 13 FAR 52.203-05
COVENANT AGAINST CONTINGENT FEES
(APR 1984)
- 14 FAR 52.203-06
RESTRICTIONS ON SUBCONTRACTOR SALES
TO THE GOVERNMENT (JUL 1995)
- 15 FAR 52.203-07
ANTI-KICKBACK PROCEDURES (JUL 1995)
- 16 FAR 52.203-08
CANCELLATION, RECISSION, AND RECOVERY OF
FUNDS FOR ILLEGAL OR IMPROPER ACTIVITY
(JAN 1997)
- 17 FAR 52.203-10
PRICE OR FEE ADJUSTMENT FOR ILLEGAL OR
IMPROPER ACTIVITY (JAN 1997)
- 18 FAR 52.203-12
LIMITATION ON PAYMENTS TO INFLUENCE
CERTAIN FEDERAL TRANSACTIONS (JUN 1997)
- 19 FAR 52.204-02
SECURITY REQUIREMENTS (AUG 1996)
- 110 FAR 52.204-4
PRINTING/COPYING DOUBLE SIDED ON
RECYCLED PAPER (JUN 1996)
- 111 FAR 52.209-06
PROTECTING THE GOVERNMENT'S INTEREST
WHEN SUBCONTRACTING WITH CONTRACTORS
DEBARRED, SUSPENDED, OR PROPOSED FOR
DEBARMENT (JUL 1995)
- 112 FAR 52.215-02
AUDIT AND RECORDS-NEGOTIATION
(AUG 1996)
- 113 FAR 52.215-20
REQUIREMENTS FOR COST OR PRICING DATA OR
INFORMATION OTHER THAN COST OR PRICING
DATA (OCT 1997) ALTERNATE IV (OCT 1997)
- (a) Submission of cost or pricing data is not required.
- (b) Provide information described below:
- (1) Attachment J2A "Basic Pricing Data"
- 114 FAR 52.217-8
OPTION TO EXTEND SERVICES (AUG 1989)
- 115 FAR 52.217-09
OPTION TO EXTEND THE TERM OF THE
CONTRACT (MAR 1989)
- (a) The Government may extend the term of this contract
by written notice to the Contractor within seven (7) days.
- (b) If the Government exercises this option, the extended
contract shall be considered to include this option provision.
- (c) The total duration of this contract, including the
exercise of any options under this clause, shall not exceed 60
months.
- 116 FAR 52.219-08
UTILIZATION OF SMALL, SMALL
DISADVANTAGED AND WOMEN-OWNED SMALL
BUSINESS CONCERNS (JUN 1997)
- 117 FAR 52.219-09
SMALL, SMALL DISADVANTAGED AND WOMEN-
OWNED SMALL BUSINESS SUBCONTRACTING
PLAN (AUG 1996)
- 118 FAR 52.219-16
LIQUIDATED DAMAGES - SMALL BUSINESS
SUBCONTRACTING PLAN (OCT 1995)
- 119 FAR 2.222-01
NOTICE TO THE GOVERNMENT OF LABOR
DISPUTES (FEB 1997)
- 120 FAR 52.222-03
CONVICT LABOR (AUG 1996)
- 121 FAR 52.222-26
EQUAL OPPORTUNITY (APR 1984)
- 122 FAR 52.222-28
EQUAL OPPORTUNITY PREAWARD CLEARANCE
OF SUBCONTRACTS (APR 1984)
- 123 FAR 52.222-35
AFFIRMATIVE ACTION FOR DISABLED VETERANS
AND VETERANS OF THE VIETNAM ERA (APR 1998)
- 124 FAR 52.222-36
AFFIRMATIVE ACTION FOR WORKERS WITH
DISABILITIES (JUN 1998)
- 125 FAR 52.222-37
EMPLOYMENT REPORTS ON DISABLED
VETERANS AND VETERANS OF THE VIETNAM
ERA (APR 1998)

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- 126 FAR 52.223-41
SERVICE CONTRACT ACT OF 1965, AS AMENDED
(MAY 1989)
- 127 FAR 52.223-42
STATEMENT OF EQUIVALENT RATES FOR
FEDERAL HIRES (MAY 1989)

*In compliance with the Service Contract Act of 1965, as amended, and the regulations of the Secretary of Labor (29 CFR Part 4), this clause identifies the classes of service employees expected to be employed under the contract and states the wages and fringe benefits payable to each if they were employed by the contracting agency subject to the provisions of 5 U.S.C. 5341 or 5322.

THIS STATEMENT IS FOR INFORMATION ONLY; IT IS NOT A WAGE DETERMINATION

Employee Class	Monetary Wage-Fringe Benefits
N/A	
N/A	

- 128 FAR 52.223-43
FAIR LABOR STANDARDS ACT AND SERVICE
CONTRACT ACT - PRICE ADJUSTMENT
(MULTIPLE YEAR AND OPTION CONTRACTS)
(MAY 1989)
- 129 FAR 52.223-44
FAIR LABOR STANDARDS ACT AND SERVICE
CONTRACT ACT - PRICE ADJUSTMENT
(MAY 1989)
- 130 FAR 52.223-02
CLEAN AIR AND WATER (APR 1984)
- 131 FAR 52.223-05
POLLUTION PREVENTION AND RIGHT-TO-KNOW
INFORMATION (APR 1998)
- 132 FAR 52.223-06
DRUG-FREE WORKPLACE (JAN 1997)
- 133 FAR 52.223-14
TOXIC CHEMICAL RELEASE REPORTING
(OCT 1996)
- 134 FAR 52.225-11
RESTRICTIONS ON CERTAIN FOREIGN
PURCHASES (OCT 1996)
- 135 FAR 52.226-01
UTILIZATION OF INDIAN ORGANIZATIONS AND
INDIAN-OWNED ECONOMIC ENTERPRISES
(SEP 1996)

- 136 FAR 52.227-01
AUTHORIZATION AND CONSENT (JUL 1995)
- 137 FAR 52.227-02
NOTICE AND ASSISTANCE REGARDING PATENT
AND COPYRIGHT INFRINGEMENT (AUG 1996)
- 138 FAR 52.229-03
FEDERAL, STATE, AND LOCAL TAXES (JAN 1991)
- 139 FAR 52.229-05
TAXES - CONTRACTS PERFORMED IN U.S.
POSSESSIONS OR PUERTO RICO (APR 1984)
- 140 FAR 52.232-04
PAYMENT UNDER TRANSPORTATION CONTRACTS
AND TRANSPORTATION-RELATED SERVICES
CONTRACTS (APR 1984)
- 141 FAR 52.232-08
DISCOUNTS FOR PROMPT PAYMENT (MAY 1997)
- 142 FAR 52.232-09
LIMITATION ON WITHHOLDING OF PAYMENTS
(APR 1984)
- 143 FAR 52.232-11
EXTRAS (APR 1984)
- 144 FAR 52.232-17
INTEREST (JUN 1996)
- 145 FAR 52.232-18
AVAILABILITY OF FUNDS (APR 1984)
- 146 FAR 52.232-23
ASSIGNMENT OF CLAIMS (JAN 1986)
- 147 FAR 52.232-25
PROMPT PAYMENT (JUN 1997)
- 148 FAR 52.232-33
MANDATORY INFORMATION FOR ELECTRONIC
FUNDS TRANSFER PAYMENT METHODS
(AUG 1996)
- 149 FAR 52.233-01
DISPUTES (OCT 1995) - ALTERNATE I (DEC 1991)
- 150 FAR 52.233-03
PROTEST AFTER AWARD (AUG 1996)
- 151 FAR 52.242-13
BANKRUPTCY (JUL 1995)
- 152 FAR 52.243-01
CHANGES - FIXED-PRICE (AUG 1987)
ALTERNATE I (APR 1984)

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153 FAR 52.244-01
SUBCONTRACTS (FIXED-PRICE CONTRACTS)
(OCT 1997)

154 FAR 52.244-06
SUBCONTRACTS FOR COMMERCIAL ITEMS AND
COMMERCIAL COMPONENTS (APR 1998)

(a) *Definition.*

Commercial item, as used in this clause, has the meaning contained in the clause at 52.202-1, Definitions.

Subcontract, as used in this clause, includes a transfer of commercial items between divisions, subsidiaries, or affiliates of the Contractor or subcontractor at any tier.

(b) To the maximum extent practicable, the Contractor shall incorporate, and require its subcontractors at all tiers to incorporate, commercial items or nondevelopmental items as components of items to be supplied under this contract.

(c) Notwithstanding any other clause of this contract, the Contractor is not required to include any FAR provision or clause, other than those listed below to the extent they are applicable and as may be required to establish the reasonableness of prices under Part 15, in a subcontract at any tier for commercial items or commercial components:

(1) 52.222-26, Equal Opportunity (E.O. 11246);

(2) 52.222-35, Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era (38 U.S.C. 4212(a));

(3) 52.222-36, Affirmative Action for Handicapped Workers (29 U.S.C. 793); and

(4) 52.247-64, Preference for Privately Owned U.S.-Flagged Commercial Vessels (46 U.S.C. 1241) (flow down not required for subcontracts awarded beginning May 1, 1996).

(d) The Contractor shall include the terms of this clause, including this paragraph (d), in subcontracts awarded under this contract.

155 FAR 52.245-01
PROPERTY RECORDS (APR 1984)

156 FAR 52.245-02
GOVERNMENT PROPERTY (FIXED-PRICE
CONTRACTS) (DEC 1989)

157 FAR 52.248-01
VALUE ENGINEERING (MAR 1989)

158 FAR 52.249-02
TERMINATION FOR CONVENIENCE (OF THE
GOVERNMENT (FIXED-PRICE) (SEP 1996)

142 FAR 52.252-02
CLAUSES INCORPORATED BY REFERENCE
(FEB 1998)

(a) This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at this address: <http://www.acq.osd.mil/ar/>

157 FAR 52.252-06
AUTHORIZED DEVIATIONS IN CLAUSES
(APR 1984)

(a) The use in this solicitation or contract of any Federal Acquisition Regulation (48 CFR Chapter 1) clause with an authorized deviation is indicated by the addition of "(DEVIATION)" after the date of the clause.

(b) The use in this solicitation or contract of clauses and or provisions (Article 141.1) with authorized deviations is indicated by the addition of "(DEVIATION)" after the name of the regulation.

158 FAR 52.253-01
COMPUTER GENERATED FORMS (JAN 1991)

159 DFARS 252.201-7000
CONTRACTING OFFICER'S REPRESENTATIVE
(DEC 1991)

160 DFARS 252.203-7001
SPECIAL PROHIBITION ON EMPLOYMENT
(JUN 1997)

161 DFARS 252.203-7002
DISPLAY OF DOD HOTLINE POSTER (DEC 1991)

162 DFARS 252.204-7000
DISCLOSURE OF INFORMATION (DEC 1991)

163 DFARS 252.204-7003
CONTROL OF GOVERNMENT PERSONNEL
WORK PRODUCT (APR 1992)

164 DFARS 252.204-7004
REQUIRED CENTRAL CONTRACTOR
REGISTRATION (MAR 1998)

165 DFARS 252.209-7000
ACQUISITION FROM SUBCONTRACTORS
SUBJECT TO ON-SITE INSPECTION UNDER THE
INTERMEDIATE-RANGE NUCLEAR FORCES (INF)
TREATY (NOV 1995)

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- 166 DFARS 252.219-7003
SMALL, SMALL DISADVANTAGED AND WOMEN-
OWNED BUSINESS SUBCONTRACTING PLAN (DOD
CONTRACTS) (APR 1996)
- 167 DFARS 252.219-7005
INCENTIVE FOR SUBCONTRACTING WITH SMALL
BUSINESSES. SMALL DISADVANTAGED
BUSINESSES. HISTORICALLY BLACK COLLEGES
AND UNIVERSITIES AND MINORITY INSTITUTIONS
(NOV 1995)
- 168 DFARS 252.219-7006
NOTICE OF EVALUATION PREFERENCE FOR
SMALL DISADVANTAGED BUSINESS CONCERNS
(JUN 1997)

(a) *Definitions*

"Historically black colleges and universities," as used in this clause, means institutions determined by the Secretary of Education to meet the requirements of 34 CFR Section 608.2. The term also means any non-profit research institution that was an integral part of a historically black college or university before November 14, 1986.

"Minority Institutions," as used in this clause, means institutions meeting the requirements of paragraphs (3), (4), and (5) of Section 1046(3) of the Higher Education Act of 1965 (20 U.S.C. 1135d-5(3)). The term also includes Hispanic-serving institutions as defined in Section 316(b)(1) of such Act (20 U.S.C. 1059c(b)(1)).

"Small disadvantaged business concern," as used in this clause, means a small business concern, owned and controlled by individuals who are both socially and economically disadvantaged, as defined by the Small Business Administration at 13 CFR Part 124, the majority of earnings of which directly accrue to such individuals. This term also means a small business concern owned and controlled by an economically disadvantaged Indian tribe or Native Hawaiian organization which meets the requirements of 13 CFR 24.112 or 13 CFR 124.113, respectively.

"United States," as used in this clause, means the United States, its territories and possessions, the Commonwealth of Puerto Rico, the U.S. Trust Territory of the Pacific Islands, or the District of Columbia.

(b) *Evaluation preference.*

(1) Offers will be evaluated by adding a factor of ten percent to the price of all offers, except --

(i) Offers from small disadvantaged business concerns, which have not waived the preference;

(ii) Offers from historically black colleges and universities or minority institutions, which have not waived the preference;

(iii) Otherwise successful offers of --

(A) Eligible products under the Trade Agreements Act when the dollar threshold for application of the Act is exceeded;

(B) Qualifying country end products (as defined in the Defense Federal Acquisition Regulation Supplement clause at 252.225-7001, Buy American Act and Balance of Payments Program); and.

(iv) Offers where application of the factor would be inconsistent with a Memorandum of Understanding or other international agreement with a foreign government.

(2) The ten percent factor will be applied on a line item by line item basis or to any group of items on which award may be made. Other evaluation factors described in the solicitation will be applied before application of the ten percent factor. The ten percent factor will not be applied if using the preference would cause the contract award to be made at a price which exceeds the fair market price by more than ten percent.

(c) *Waiver of evaluation preference.*

A small disadvantaged business, historically black college or university, or minority institution offeror may elect to waive the preference, in which case the ten percent factor will be added to its offer for evaluation purposes. The agreements in paragraph (d) do not apply to offers which waive the preference.

____ Offeror elects to waive the preference

(d) *Agreements.*

(1) A small disadvantaged business concern, historically black college or university, or minority institution offeror, which did not waive the preference, agrees that in performance of the contract, in the case of a contract for --

(i) Services, except construction, at least 50 percent of the cost of personnel for contract performance will be spent for employees of the concern.

(ii) Supplies (other than procurement from a regular dealer in such supplies), at least 50 percent of the cost of manufacturing, excluding the cost of materials, will be performed by the concern.

(iii) General construction, at least 15 percent of the cost of the contract, excluding the cost of materials, will be performed by employees of the concern.

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(iv) Construction by special trade contractors, at least 25 percent of the cost of the contract, excluding the cost of materials, will be performed by employees of the concern.

(2) A small disadvantaged business, historically black college or university, or minority institution regular dealer submitting an offer in its own name agrees to furnish in performing this contract only end items manufactured or produced by small disadvantaged business concerns, historically black colleges or universities, or minority institutions.

(3) Upon request, a historically black college or university or minority institution offeror will provide the Contracting Officer evidence that it has been determined to be an HBCU or MI by the Secretary of Education.

169 DFARS 252.223-7002
SAFETY PRECAUTIONS FOR AMMUNITION AND
EXPLOSIVES (MAY 1994)

170 DFARS 252.223-7004
DRUG FREE WORK FORCE (SEP 1988)

171 DFARS 252.223-7006
PROHIBITION ON STORAGE AND DISPOSAL OF
TOXIC AND HAZARDOUS MATERIALS (APR 1993)

172 DFARS 252.225-7031
SECONDARY ARAB BOYCOTT OF ISRAEL
(JUN 1992)

(a) Definitions.

As used in this clause--

"Foreign person" means any person other than a United States person as defined in Section 16(2) of the Export Administration Act of 1979 (50 U.S.C. App. Sec 2415).

"United States person" is defined in Section 16(2) of the Export Administration Act of 1979 and means any United States resident or national (other than an individual resident outside the United States and employed by other than a United States person), any domestic concern (including any permanent domestic establishment of any foreign concern), and any foreign subsidiary or affiliate (including any permanent foreign establishment) of any domestic concern which is controlled in fact by such domestic concern, as determined under regulations of the President.

(b) Certification.

By submitting this offer, the Offeror, if a foreign person, company or entity, certifies that it--

(1) Does not comply with the secondary Arab boycott of Israel; and

(2) Is not taking or knowingly agreeing to take any action, with respect to the secondary boycott of Israel by Arab countries which 50 U.S.C. App. Sec 2407(a) prohibits a United States person from taking.

173 DFARS 252.242-7000
POST AWARD CONFERENCE (DEC 1991)

174 DFARS 252.243-7001
PRICING OF CONTRACT MODIFICATIONS
(DEC 1991)

175 DFARS 252.243-7002
REQUESTS FOR EQUITABLE ADJUSTMENT
(MAR 1998)

176 DFARS 252.245-7001
REPORTS OF GOVERNMENT PROPERTY
(MAY 1994)

177 DFARS 252.247-7025
REFLAGGING OR REPAIR WORK (MAY 1995)

178 MSC 5252.249-9801
DEFAULT (FIXED-PRICE SUPPLY AND SERVICE
(JUL 1993) (DEVIATION) - ALTERNATE I (JUL 1993)
(DEVIATION)

(a) (1) The Government may, subject to paragraphs (c) and (d) below, by written notice of default to the Contractor, terminate this contract in whole or in part if the Contractor fails to

(i) Deliver the supplies or perform the services within the time specified in this contract or extension; or

(ii) Make progress, so as to endanger performance of this contract (but see subparagraph (a)(2) below); or

(iii) Perform any of the other provisions of this contract (but see subparagraph (a)(2) below); or

(iv) Operate the Vessels specified in this contract notwithstanding any interruption or delay that may be attributed to labor disruption, labor dispute, or strike.

(2) The government's right to terminate this contract under subdivisions 1(ii) and 1(iii) above may be exercised if the Contractor does not cure such failure within 10 days (or more if authorized in writing by the Contracting Officer) after receipt of the notice from the Contracting Officer specifying the failure.

(b) If the government terminates this contract in whole or in part it may acquire, under terms and in the manner the Contracting Officer considers appropriate, supplies or services similar to those terminated, and the Contractor will be liable to the Government for any excess costs for the supplies or services. However, the Contractor shall continue the work not terminated.

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(c) Except for defaults of subcontractors at any tier or for failure to perform due to a labor disruption, labor dispute, or strike, the Contractor shall not be liable for any excess costs if the failure to perform the contract arises from causes beyond the control and without the fault or negligence of the Contractor. Examples of such causes include (1) acts of God or of the public enemy, (2) acts of the Government in either its sovereign or contractual capacity, (3) fires, (4) floods, (5) epidemics, (6) quarantine restrictions, (7) freight embargoes, and (8) unusually severe weather. In each instance the failure to perform must be beyond the control and without the fault or negligence of the Contractor.

(d) If the failure to perform is caused by the default of a subcontractor at any tier, and if the cause of the default is beyond the control of both the Contractor and the subcontractor, and without the fault or negligence of either, the Contractor shall not be liable for any excess costs for failure to perform unless the subcontracted supplies or services were obtainable from other sources in sufficient time for the Contractor to meet the required delivery schedule.

(e) If this contract is terminated while the Contractor has possession of Government goods, the Contractor shall, upon direction of the Contracting Officer, protect and preserve the goods until surrendered to the government or its agent. The Contractor and Contracting Officer shall agree on payment for the preservation and protection of the goods. Failure to agree on an amount will be a dispute under the Disputes Clause.

(f) If, after termination, it is determined that the Contractor was not in default, or that the default was excusable, the rights and obligations of the parties shall be the same as if the termination had been issued for the convenience of the Government.

(g) The rights and remedies of the Government in this Clause are in addition to any other rights and remedies provided by law or under this contract.

- J1 Vessels Likely to be supported
- J2 Tug Particulars
- J2A ~~Basic Pricing Data (Optional Form)~~ NOT SUBMITTED
- J3 Wage Determination
- J4 Reports to be filed by Contractor
- J5 Government Furnished Publications
- J6 Recommended Line Inventory
- J7 Subcontracting Plan

SECTION S - SPECIAL PROVISIONS AS AGREED

UNLESS SPECIFICALLY REFERENCED IN BOX 15A HEREIN, THE FOLLOWING ARTICLES DO NOT APPLY TO THIS CHARTER PARTY (SEE ALSO THE PREAMBLE IN PART I HEREIN)

S1-8 RESERVED

S9(H) WAR (replaces Article H4)

H4.1 Instructions. If a tug is ordered under this Charter Party to any port, place, zone, or route involved in a state of war, warlike operations or hostilities, civil strife, or piracy (whether there be a declaration of war or not) where she might reasonably be expected to be subject to capture, seizure, arrest, or hostile act by a belligerent power (whether de facto or de jure), it shall be unreasonable for Owner not to prosecute said voyage instructions if insurance against said risks is then available commercially or under a Government program. In the event of the existence of said risks, Charterer shall, to the extent provided in this Article, assume provable additional costs of wages (including all additional bonuses and payment required) and insurance and all taxes associated therewith properly incurred by Owner as a consequence of service under this Charter Party.

H4.2 Additional Wage Costs. Charterer shall reimburse Owner for provable additional costs (including taxes associated therewith) incurred pursuant to this Contract as a consequence of the risks identified at Article H4.1 for (i) wages of Master, Officers, or crew and (ii) required payments or bonuses to Master, Officers, or crew. However, any of said wages or payments shall not exceed in amount that which would be payable, under applicable laws and regulations, to U.S. civil service mariners in the employ of the Military Sealift Command in a similar port, place, zone, or route.

H4.3 Additional Insurance Costs. Charterer shall reimburse Owner for provable additional costs of premia and taxes associated therewith (over and above such costs in effect on the Charter Party Date) reasonably incurred pursuant to this Charter Party as a consequence of the risks identified at Article H4.1 in the Tug's war-risk Hull & Machinery policy, in the Tug's war-risk Protection & Indemnity policy, and in any war-risk policy on the lives of or for injuries to officers and crew. Provided, however, that no proportion of additional premia allocable to insuring an amount in excess of the insured value of the Tug (as of the Charter Party Date) shall be reimbursable by Charterer in respect of any of the foregoing war-risk policies. Provided further that Owner shall apply for and remit to Charterer as savings any rebates by reason of Tug trading in lower-premium war-risk areas. Provided further that the United States of America shall be named as an additional assured with waiver of subrogation noted under all of the foregoing war-risk policies. Alternatively, in Charterer's sole option, and at no cost to the Government, Charterer may delete S9(H) with twenty-four hours notice; thence Article S9(W) shall automatically be effective.

H4.4 Non-availability of Insurance. If no commercial or Governmental insurance is available for service under this Charter Party covering the risks identified in Article H4.1, Tug shall not be required to enter or remain at any port, place, zone, or route subject

to said risks: Charterer in such case shall have the right to order the Tug to other port(s) or places(s).

S9(W) TIME CHARTER WAR RISK COVERAGE

H4.3(w).1 Types and duration of coverage. Under the authority of 46 U.S.C. 1285, the U.S. Maritime Administration will furnish the following War-Risk insurance coverages, which will be effective during the Tug's transit during this Charter of areas currently excluded under commercial marine insurance war risk trading warranties.

A. War-Risk Hull Coverage, insured at the hull value stated in Tug's current commercial hull and increased-value policies effective on Charter Party date, a copy of which current hull policies shall be furnished to Charterer;

B. War-Risk Protection and Indemnity coverage, insured at a value of either: (A) one-hundred fifty percent of the hull value stated in Tug's current commercial hull policy effective on Charter Party date; or (B) USD 45 million, whichever is greater but in no event exceeding that amount of commercial P&I cover which was in effect for the Tug on Charter Party date;

C. War-Risk Blocking and Trapping Coverage:

D. War-Risk Second Seaman's Coverage, the principal sum of which shall be USD 150,000 per Master, officer, or crew member (this is also loss-of-life benefit). Non-hospitalization disability payments therein to be payable in the amount of USD 1,000 per month. Dismemberment benefits to be payable in accordance with the schedule identified in the policy, as a percentage of the USD 150,000 principal sum. For loss of or damage to personal effects, an amount not exceeding USD 1,500 shall be payable to licensed officers, and an amount not exceeding USD 1,000 shall be payable to unlicensed crew members and U.S. Merchant Marine cadets and cadet officers.

E. War-Risk Loss-of-Hire Coverage, if a commercial loss-of-hire policy was in effect on the Tug on Charter Party date. The sum insured by this policy, including the amount of lost time which is covered, will be equivalent to the levels insured by the Tug's commercial policy. However, the amount insured by this policy will in no event exceed the hire rate (effective under the COMSC Charter when the loss of time began), over a maximum duration of 100 days lost. This maximum amount will be further subject to a deductible equivalent to that in place under the Tug's commercial policy.

F. Terms of coverage above referenced to be in accordance with MARAD policies issued pursuant to the authority of 46 APP. U.S.C. 1285 as approved by the Contracting Officer, in the form of Policy set forth in 46 CFR 308, as such form is amended.

G. Contractor shall provide, as a minimum, a Certificate of Insurance evidencing types and levels of insurance held. If requested by Contracting Officer, the Contractor shall provide a copy of above-mentioned policies with endorsements.

SECTION S - SPECIAL PROVISIONS AS AGREED

H4.3 (w).2 Notwithstanding any other provision of this Charter Party, all other insurance shall be for Contractor's account.

ATTACHMENT JI - SUMMARY OF VESSELS LIKELY TO BE SUPPORTED

Given below is a list of vessel classes that are likely to be supported during the term of any contract resulting from this RFP. This list is for demonstration only and is not a guarantee of vessel types to be supported, and may not be all inclusive.

- AE
- AFDM
- AFS
- AGDS
- AMMUNITION BARGES
- AO
- AOE
- AOR
- AR
- ARD
- ARS
- AS
- ASR
- ATF
- AVM
- BARGES
- CAMELS
- CG
- CGN
- COAST GUARD CUTTERS
- DD
- DDG
- FF
- FIG
- FOREIGN SHIPS, SIMILAR CONFIGURATIONS AS U.S. SHIPS
- IX
- LPH
- LHA
- LHD
- LPI
- LKA
- LPD
- LSO
- LST
- MSO
- SS
- SSBN
- SSN
- YC
- YD
- YO
- YON

ATTACHMENT J2 - Tug Particulars

Tug #:	Tug Name: TUG Z-1 JENSEN DESIGN 1 HIGHLY MANEUVERABLE, LOW PROFILE REVERSE TRACTOR TUG
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Particulars

a. Registered owner TUG Z INTERNATIONAL	b. Flag UNITED STATES OF AMERICA
	c. Year and place built: 1996 - HALTER LOCKPORT, LA
d. Official number 1042196	e. Call letters WCW 9643
f. Maximum length (Meters) 22.65 METERS (94'0")	g. Length between perpendiculars (Meters) 28 METERS (92')
h. Maximum beam (Meters) 9.75 METERS (32")	i. Maximum saltwater draft (Meters) 3.75 meters (12'3")
j. Gross Tonnage 256 TONS	k. Net tonnage 76 TONS
l. Loadline assigned, if any (Meters) FROM UNDER EDGE OF LINE 1 METER (3'3 3/8") THROUGH CENTER OF RING	
m. Vertical distance, waterline-plane to uppermost point of tug (Meters) 7.32 meters (24')	
n. Classification Society entered, if any AMERICAN BUREAU OF SHIPPING	o. Classification assigned, if any +A1, +AMS, A-1 TOWING VESSEL
p. USCG certificates held (include expiration dates) CERTIFICATE OF DOCUMENTATION - COASTWISE EXPIRATION DATE 11/98	
q. Insurer(s) (Art H3) LLOYDS, BRITISH UNDERWRITERS, SKULD	

Propulsion

r. Shaft horsepower 2 @ 2,000 HP EACH	4,000 HP	Verified by SEE CATERPILLAR DATA	Verification date 1996
s. Brake horsepower 2 @ 2,000 HP EACH	4,000 HP	Verified by SEE CATERPILLAR DATA	Verification date 1996
t. bollard pull (pounds)	108,900 LBS	Verified by ABS and ULSTEIN	Verification date SEE ULSTEIN DATA
u. Main engines/propellers (qty)	2 CAT 3516 BTA - 2 Z-DRIVES	Manufactured by CATERPILLAR & ULSTEIN	Drive type ULSTEIN Z-DRIVES 1650
v. Design shaft RPM	1600 ENGINE RPM	291 PROPELLER RPM	

Speed

w. Transit speed (knots)(full speed, at 80% of horsepower identified in box "r," without tow, in conditions of moderate weather)	11 KNOTS
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Fuel

x. Fuel consumption for harbor work (net gallons/hour at 60 deg F and grade(s) burned)	52 gallons per hour
y. Fuel consumption at 5 knots towing (net bbls/day at 60 deg F and grade(s) burned)	DEPENDENT UPON LOAD 75 BARRELS TO 105 BARRELS
z. Bunker Capacity (bbls)	809.5 BBLS (34,000 GALS.)

Equipment

aa. Description of towing gear and lifting equipment	FULL COMPLIMENT OF TOWING GEAR AND SHIPDOCKING GEAR, LINES, CABLES, SCHACLES, PENANTS, ETC.
bb. Fire-pump capacity (GPM)	3,000 GPM SYSTEM WITH TWO HIGH CAPACITY MONITORS WITH FOAM CAPABILITY
cc. Capstan pull capacity (lbs and fpm)	2 WINCHES, BOW AND STERN THAT MEET OR EXCEED 29,000 LBS OF LINE PULL AND 40' FEET PER MINUTE PAY-IN/HAUL-OUT.
dd. Fuel consumption at transits of 10 knots (net bbls/day at 60 deg F and grade(s) burned)	51 BARRELS PER DAY 2,160 GALLONS

Use or disclosure of data contained on this sheet is subject to the restriction on the title page of this proposal.

ATTACHMENT J2 - Tug Particulars

PATRICIA CLASS (GOW DESIGN)

Tug #: 3, 4	Tug Name: KERRY MORAN (REBUILT 1999) HIGHLY MANEUVERABLE. LOW PROFILE REVERSE TRACTOR TUG
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Particulars

a. Registered owner MORAN TOWING CORPORATION	b. Flag UNITED STATES OF AMERICA
	c. Year and place built: 1963 JAKOBSON LONG ISLAND, NEW YORK REBUILT 1999
d. Official number 290772	e. Call letters WAZ 7020
f. Maximum length (Meters) 32.92 METERS (108')	g. Length between perpendiculars (Meters) 30.20 METERS (99')
h. Maximum beam (Meters) 5.66 METERS (28.7')	i. Maximum saltwater draft (Meters) 4.27 METERS (13')
j. Gross Tonnage 289 TONS	k. Net tonnage 197 TONS
l. Loadline assigned, if any (Meters) FROM UNDER EDGE OF LINE .53 METERS (1'11") THROUGH CENTER OF RING	
m. Vertical distance, waterline-plane to uppermost point of tug (Meters) 6.71 METERS (22 FEET)	
n. Classification Society entered, if any AMERICAN BUREAU OF SHIPPING	o. Classification assigned, if any +A1, +AMS, A.1 TOWING VESSEL
p. USCG certificates held (include expiration dates) CERTIFICATE OF DOCUMENTATION - COASTWISE EXPIRATION DATE 1/99	
q. Insurer(s) (An H3) LLOYDS, BRITISH UNDERWRITERS, SKULD	

Propulsion

r. Shaft horsepower 2 @ 2,000 HP EACH	4,000 HP	Verified by EMD	Verification date SEE ATTACHED EMD DATA	1999
s. Brake horsepower 2 @ 2,100 HP EACH	4,200 HP	Verified by EMD	Verification date SEE ATTACHED EMD DATA	1999
t. bollard pull (pounds) 112,000 LBS		Verified by ULSTEIN	Verification date SEE ATTACHED EMD DATA	1999
u. Main engines/propellers (qty) 2-16-845 EMD 2 Z-DRIVES		Manufactured by EMD & ULSTEIN	Drive type ULSTEIN Z-DRIVES	1350 UHPN
v. Design shaft RPM 900 ENGINE RPM				315 PROPELLER RPM

Speed

w. Transit speed (knots)(full speed, at 80% of horsepower identified in box "r," without tow, in conditions of moderate weather)	11 KNOTS
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Fuel

x. Fuel consumption for harbor work (net gallons/hour at 60 deg F and grade(s) burned)	60 GALLONS PER HOUR
y. Fuel consumption at 5 knots towing (net bbbls/day at 60 deg F and grade(s) burned)	DEPENDING UPON THE TOW 150 BARREL PER DAY TO 208 BARRELS PER DAY 3,600 - 5,000 GALS/PER DAY
z. Bunker Capacity (bbbls)	833 BBLs (35,000 GALS.) TO BE CONFIRMED

Equipment

aa. Description of towing gear and lifting equipment	FULL COMPLIMENT OF TOWING GEAR AND SHIPDOCKING GEAR, LINES, CABLES, SHACLES, PENANTS, ETC.
bb. Fire-pump capacity (GPM)	3,000 GPM SYSTEM WITH TWO HIGH CAPACITY MONITORS WITH FOAM CAPABILITY.
cc. Capstan pull capacity (lbs and fpm)	2 CAPSTANS, BOW AND STERN THAT MEET OR EXCEED 29,000 LBS OF LINE PULL AND 40' FEET PER MINUTE PAY-IN/HAUL-OUT
dd. Fuel consumption at transits of 10 knots (net bbbls/day at 60 deg F and grade(s) burned)	57 BARRELS PER DAY 2,400 GALS PER DAY

Use or disclosure of data contained on this sheet is subject to the restriction on the title page of this proposal.

ATTACHMENT J2 - Tug Particulars

Tug #:	Tug Name: WASHBURN AND DOUGHTY; 2, 5, 6, 7, 8, 9 HIGHLY MANEUVERABLE, LOW PROFILE REVERSE TRACTOR TUG
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Particulars

a. Registered owner TO BE DETERMINED	b. Flag UNITED STATES OF AMERICA
d. Official number TO BE DETERMINED	c. Year and place built: 1999 - WASHBURN AND DOUGHTY - BOOTHBAY, MAINE
f. Maximum length (Meters) 29 METERS (91'4")	e. Call letters TO BE DETERMINED
g. Length between perpendiculars (Meters) 27 METERS (89'0")	h. Maximum beam (Meters) 9.75 METERS (32')
i. Maximum saltwater draft (Meters) DRAFT 13'3"	j. Gross Tonnage 149 TONS
k. Net tonnage 101 TONS	l. Loadline assigned, if any (Meters) FROM UNDER EDGE OF LINE THROUGH CENTER OF RING - TO BE DETERMINED
m. Vertical distance, waterline-plane to uppermost point of tug (Meters) 6.71 METERS (22 FEET)	n. Classification Society entered, if any AMERICAN BUREAU OF SHIPPING
o. Classification assigned, if any *A1, *AMS A-1 TOWING VESSEL	p. USCG certificates held (include expiration dates) CERTIFICATE OF DOCUMENTATION - COASTWISE DATES TO BE DETERMINED
q. Insurer(s) (An H3) LLOYDS, BRITISH UNDERWRITERS, SKULD	

Propulsion

r. Shaft horsepower 4,000 HP 2 @ 2,000 HP EACH	Verified by EMD	Verification date SEE ATTACHED PAGE # 1999
s. Brake horsepower 4,200 HP 2 @ 2,100 HP EACH	Verified by EMD	Verification date SEE ATTACHED PAGE # 1999
t. bollard pull (pounds) 111,200 lbs	Verified by ULSTEIN	Verification date SEE ATTACHED PAGE # 1999
u. Main engines/propellers (qty) 2-16-645 EMD 2 Z-DRIVES	Manufactured by EMD & ULSTEIN	Drive type ULSTEIN Z-DRIVES
v. Design shaft RPM 900 ENGINE RPM	315 PROPELLER RPM	

Speed

w. Transit speed (knots)(full speed, at 80% of horsepower identified in box "r," without tow, in conditions of moderate weather) 11 KNOTS

Fuel

x. Fuel consumption for harbor work (net gallons/hour at 60 deg F and grade(s) burned) 60 GALLONS PER HOUR
y. Fuel consumption at 5 knots towing (net bbls/day at 60 deg F and grade(s) burned) DEPENDING UPON THE TOW 150 BARRELS PER DAY TO 208 BARRELS PER DAY 3,600 - 5,000 GALS/PER DAY
z. Bunker Capacity (bbls) 947 BARRELS 38,000 GALS

Equipment

aa. Description of towing gear and lifting equipment FULL COMPLIMENT OF TOWING GEAR AND SHIPDOCKING GEAR, LINES, CABLES, SHACKLES, PENANTS, ETC.
bb. Fire-pump capacity (GPM) 3,000 GPM SYSTEM WITH TWO HIGH CAPACITY MONITORS WITH FOAM CAPABILITY.
cc. Capstan pull capacity (lbs and fpm) 2 CAPSTANS, BOW AND STERN THAT MEET OR EXCEED 29,000 LBS OF LINE PULL AND 40' FEET PER MINUTE PAY-IN/HAUL-OUT.
dd. Fuel consumption at transits of 10 knots (net bbls/day at 60 deg F and grade(s) burned) 57 BARRELS PER DAY 2,400 GALS PER DAY

Use or disclosure of data contained on this sheet is subject to the restriction on the title page of this proposal

ATTACHMENT J3--WAGE DETERMINATION

The attached Wage Determination, Number 94-0196 Revision 6, is incorporated herein.

REGISTER OF WAGE DETERMINATIONS UNDER
THE SERVICE CONTRACT ACT
By direction of the Secretary of Labor

U.S. DEPARTMENT OF LABOR
EMPLOYMENT STANDARDS ADMINISTRATION
WAGE AND HOUR DIVISION
WASHINGTON, D.C. 20210

William J. Gross
William J. Gross, Director
Division of
Wage Determinations

Wage Determination No.: 94-0196
Revision No.: 6
Date of Last Revision: 10/17/1997

State(s): NATIONWIDE

Area: NATIONWIDE COUNTIES OF NONE.

** Fringe Benefits Required For All Occupations Included In
This Wage Determination Follow The Occupational Listing **

OCCUPATION	MINIMUM HOURLY WAGE
Employed on contracts for special projects vessels, tugboats and other coastal vessels in the above locality:	
	Daily Rate: -----
Deck Department	
1. Able Seaman	\$118.73
2. Able seaman, maintenance/deck utility	\$132.60
3. Boatswain (Boston)	\$176.33
4. Ordinary Seaman	\$ 97.60
Engine Department	
5. Chief Electrician	\$188.67
6. Electrician/Second Electrician	\$187.20
7. Oiler/Diesel Oiler	\$133.07
8. Unlicensed Junior Engineers/ Qualified Member of the Engine Department (QMED)/Deck Engine, Mechanic	\$152.87
9. Utility Worker	\$133.07
10. Wiper	\$119.27
Steward Department	
11. Cook	\$138.67
12. Steward	\$148.87
13. Steward Assistant	\$ 92.13
Tug Boat Services:	
14. General Vessel Assistant	\$110.33
15. Captain Harbor Tug	\$169.22
16. Engineer, Harbor Tug	\$141.73
17. Deckhand, Harbor Tug	\$105.15

*NOTE: Daily rate cannot be computed to an hourly rate.

** Fringe benefits Required For All Occupations Included in This Wage Determination**

1/ HEALTH & WELFARE: Life, accident, and health insurance plans, sick leave, pension plans, civic and personal leave, and savings and thrift plans. Minimum employer contributions costing an average of \$2.56 per hour computed on the basis of all hours worked by service employees employed on the contract. May include such benefits as severance pay.

2/ VACATION: Two weeks paid vaction after 1 year of service with a contractor or successor; 3 weeks after 5 years; 4 weeks after 15 years. Length of service includes the whole span of continuous service with the present contractor or successor, wherever employed, and with the predecessor contractor in the performance of similar work at the same Federal facility. (Reg. 4.173)

3/ HOLIDAYS: Minimum of ten paid holidays per year: New Year's Day, Martin Luther King Jr.'s Birthday, Washington's Birthday, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans' Day, Thanksgiving Day, and Christmas Day. (A contractor may substitute for any of the named holidays another day off with pay in accordance with a plan communicated to the employees involved.) See 29 CFR 4.174)

*This wage determination applies to United States East, West, and Gulf Coasts.

NOTES: The term "service employee" does not include any employee who qualifies as an executive, administrative, or professional employee as those terms are identified in Regulations, Part 541, issued under the Fair Standard Act. (See CFR, Part 541.)

JOB DESCRIPTIONS:

CAPTAIN HARBOR TUG

Qualified tug master and operator in charge of the tugboat, its personnel, its operation and maintenance. The Captain is a radio operator, understands and operates radar and other navigational aids used in conjunction with tug-ship operations and tug-barge operations both harbor and ocean. This person must also be qualified in administrative ship business and overall charge of maintenance of the vessel. Must hold appropriate Coast Guard documentation/license.

ENGINEER, HARBOR TUG

Qualified engineer in the operation, the maintenance, both corrective and preventative, and overall supervisor in the proper operation and maintenance of all machinery, both main and auxiliary and electrical and other mechanical gear aboard the tugboat. Also must have administrative ability to keep records and maintain the inventory of parts, tools, fuel, etc. Must hold appropriate Coast Guard documentation/license.

DECKHAND, HARBOR TUG

Qualified seaman capable of performing all duties related to tugboat servicing ships and barges both in the harbor and at sea. Must hold appropriate Coast Guard documentation/license.

**** UNIFORM ALLOWANCE ****

If employees are required to wear uniforms in the performance of this contract (either by the terms of the Government contract, by the employer, by the state or local law, etc.), the cost of furnishing such uniforms and maintaining (by laundering or dry cleaning) such uniforms is an expense that may not be borne by an employee where such cost reduces the hourly rate below that required by the wage determination. The Department of Labor will accept payment in accordance with the following standards as compliance:

The contractor or subcontractor is required to furnish all employees with an adequate number of uniforms without cost or to reimburse employees for the actual cost of the uniforms. In addition, where uniform cleaning and maintenance is made the responsibility of the employee, all contractors and subcontractors subject to this wage determination shall (in the absence of a bona fide collective bargaining agreement providing for a different amount, or the furnishing of contrary affirmative proof as to the actual cost), reimburse all employees for such cleaning and maintenance at a rate of \$4.25 per week (or 5.85 cents per day). However, in those instances where the uniforms furnished are made of "wash and wear" materials, may be routinely washed and dried with other personal garments, and do not require any special treatment such as dry cleaning, daily washing, or commercial laundering in order to meet the cleanliness or appearance standards set by the terms of the Government contract, by the contractor, by law, or by the nature of the work, there is no requirement that employees be reimbursed for uniform maintenance costs.

**** NOTES APPLYING TO THIS WAGE DETERMINATION ******REQUEST FOR AUTHORIZATION OF ADDITIONAL CLASSIFICATION AND WAGE RATE**
(Standard Form 1444 (SF 1444))**Conformance Process:**

The contracting officer shall require that any class of service employee which is not listed herein and which is to be employed under the contract (i.e., the work to be performed is not performed by any classification listed in the wage determination), be classified by the contractor so as to provide a reasonable relationship (i.e., appropriate level of skill comparison) between such unlisted classifications and the classifications listed in the wage determination. Such conformed classes of employees shall be paid the monetary wages and furnished the fringe benefits as are determined. Such conforming process shall be initiated by the contractor prior to the performance of contract work by such unlisted class(es) of employees. The conformed classification, wage rate, and/or fringe benefits shall be retroactive to the commencement date of the contract. (See Section 4.6 (C) (vi)) When multiple wage determinations are included in a contract, a separate SF 1444 should be prepared for each wage determination to which a class(es) is to be conformed.

The process for preparing a conformance request is as follows:

- 1) When preparing the bid, the contractor identifies the need for a

conformed occupation(s) and computes a proposed rate(s).

2) After contract award, the contractor prepares a written report listing in order proposed classification title(s), a Federal grade equivalency (FGZ) for each proposed classification(s), job description(s), and rationale for proposed wage rate(s), including information regarding the agreement or disagreement of the authorized representative of the employees involved, or where there is no authorized representative, the employees themselves. This report should be submitted to the contracting officer no later than 30 days after such unlisted class(es) of employees performs any contract work.

3) The contracting officer reviews the proposed action and promptly submits a report of the action, together with the agency's recommendations and pertinent information including the position of the contractor and the employees, to the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, for review. (See section 4.6(b)(2) of Regulations 29 CFR Part 4).

4) Within 30 days of receipt, the Wage and Hour Division approves, modifies, or disapproves the action via transmittal to the agency contracting officer, or notifies the contracting officer that additional time will be required to process the request.

5) The contracting officer transmits the Wage and Hour decision to the contractor.

6) The contractor informs the affected employees.

Information required by the Regulations must be submitted on SF 1444 or bond paper.

When preparing a conformance request, the "Service Contract Act Directory of Occupations" (the Directory) should be used to compare job definitions to insure that duties requested are not performed by a classification already listed in the wage determination. Remember, it is not the job title, but the required tasks that determine whether a class is included in an established wage determination. Conformances may not be used to artificially split, combine, or subdivide classifications listed in the wage determination.

ATTACHMENT J4--GOVERNMENT REQUIRED REPORTS

REPORTNAME	FREQUENCY	SUBMIT TO
1. Fuel Consumption Report	Monthly	COMSC PM1
2. Accident Report	As Required	COMSC PM1 COMSC N102 Washington Navy Yard 914 Charles Morris Court SE Washington, D.C. 20398-5540
3. Personnel Roster	As revised	NAVSTA, Norfolk Port Operations Officer
4. Tug Movement Log	As required	NAVSTA, Norfolk Port Operations Officer COR

ATTACHMENT 15-GOVERNMENT FURNISHED PUBLICATIONS

NAVSHIPS 0925 US Navy Towing Manual, Vol I
 NAVSHIPS 0925 US Navy Towing Manual, Vol II
 OPNAVINST 4780.6 Procedures for Administration and Management of Navy Harbor Tugs
 OPNAVINST 5100.19 Navy Safety Precautions for Forces Afloat
 COMNAVSURFPACINST 4740.1 Series Procedures and Responsibilities for Fleet Tows and Navy Sponsored Commercial Contract Tows.

NAVAL SHIPS TECHNICAL MANUAL:

<u>Chapter No.</u>	<u>Title</u>
077	Life Preservers
079	Damage Control, Vol 1,2,3
081	Waterborne Underwater Cleaning of Surface Ships
096	Weights and Stability
100	Hull Structures
330	Lighting
422	Navigation and Signal Lights
510	Ventilating, Heating, Cooling For Surface Ships
611	Fenders
613	Wire and Fiber Rope and Rigging
670	Stowage, Handling and Disposal of Hazardous Consumables
997	Hull Fittings, Lashing Gear and Access Closures
9180	Rigging
9200	Winches and Capstans
9250	Towing Gear
9280	Fiber Ropes, Natural and Synthetic

COMDTINST M16672.2 Navigation Rules International, Inland
 U.S. Department of Transportation, United States Coast Guard

Damage Control NWIP-62

International Code of Signals 110 Pub 102, DISA

Light List Pacific Coast, Defense Mapping Agency

Local Notice to Mariners

Search and Rescue (SAR) Manual NWP 19-1, Chief of Naval Operations, OP-0981.

Washington D.C. 20350

Local Navigation Charts

Tugmaster Pilot Submarine Hull Display Publication

ATTACHMENT J6--RECOMMENDED LINE INVENTORY

1. NAVSEA Drawing No. 600-2010188 - Harbor Tug. Large. YTB-760 Class Fendering
2. Tug Propeller Guard. SK No. 56WZ-74
3. Chine Hull Form. Fender Detail. SK No. 56WZ-149
4. Round Bottom Hull Form. Fender Detail. SK No. 56WZ-150
5. Tug. Submarine. Chine Hull Form Interface. SK No. 56WZ-151
6. Tug. Submarine. Round Bottom Hull Form Interface. SK No. 56WZ-152

MSC TUGTIME 97 (rev 01/97)

Section L 12 (b) (iii)**Subcontracting Plan****RFP: N00033-98-R-1015 (9 Sept 1998)**

In case of award under this RFP, we will modify our subcontracting plan currently in place for the contract awarded under RFP: N00033-98-R-1007 (attached). We will establish a goal for the new plan of 10% of our total subcontracts and purchases to be with either small, small disadvantaged or women-owned small businesses. More specifically, Moran will attempt to purchase or subcontract either for items necessary for the direct performance of Contract work or in support thereof 7% from small businesses, and 3% from small disadvantaged and women-owned businesses. ✓

Use or disclosure of data contained on
this sheet is subject to the restriction on
the title page of this proposal.

SMALL, SMALL DISADVANTAGED AND WOMEN-OWNED
SMALL BUSINESS SUBCONTRACTING PROGRAM

MORAN TOWING OF VIRGINIA INDIVIDUAL CONTRACT PLAN
For Contract To Be Awarded Under Solicitation No. N00033-98-R-1007

PART I: BASIC CONTRACT

PURPOSE: To conduct a subcontracting program for small business and small disadvantaged businesses in accordance with Federal Acquisition Regulation (FAR) 52.219-9 (AUG 1996) entitled "Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Plan." This Individual Contract Plan for the Subcontracting Program is structured in accordance with the requirements set forth at FAR 19.704.

These requirements, as amended, are specified in the Contract to be awarded by the United States Navy issued pursuant to Solicitation No. N00033-98-R-1007 (the "Contract"). The Contract requires the services of U. S. Flag Tugs to perform towing and harbor support services in support of submarines and surface vessels on a call-out basis in the Norfolk, Virginia area. The period of performance commences on July 1, 1998 and is for twelve (12) months, with two six (6) month option periods.

1. Separate Percentage Goals for Subcontracting

The nature of the work required of Moran Towing of Virginia ("Moran") by the Contract is such that subcontracting to small non-disadvantaged businesses is difficult and subcontracting to small disadvantaged and women-owned small businesses is almost impossible. There are a very limited number of small non-disadvantaged tug and towing companies with equipment capable of performing even minor portions of the Contract work, and no small disadvantaged and women-owned small tug and towing companies with such equipment. Therefore, Moran has taken a wider view of the small, small disadvantaged and women-owned business subcontracting effort to include items which, while they may not be subcontracts used in the direct performance of the work, are important to the overall efforts of Moran to perform the work. An example of such items are tug repairs. Moran periodically requires repairs to its tugs both as a result of the performance of its Contract with MSC and for other work it performs in the area. Moran has established an overall goal that 10% of its total subcontracts and purchases be with either small, small disadvantaged or women-owned small businesses. More specifically, Moran will attempt to purchase or subcontract for items necessary for either the direct performance of Contract work or in support thereof 7% from small businesses, and 3% from small disadvantaged and women-owned businesses.

The supply and service areas to be subcontracted utilizing small business concerns are: tug and towing services as described in the Contract, repairs associated with the company's towing services, and all other support and maintenance in

Use or disclosure of data contained on
this sheet is subject to the restriction on
the title page of this proposal.

connection with the performance of the Contract work and other similar company contracts.

2. Individual Who Will Administer the Subcontracting Program / Duties of this Individual

The Vice President and General Manager of Moran, Paul Horsboll, has been designated as the Small Business Liaison Officer, and is responsible for the effective utilization and implementation of a Small, Small Disadvantaged and Women-Owned Small Business Subcontracting Program. These requirements, as amended, are specified in the Contract and are in accordance with FAR 52.219-8 and 52.219-9. Moran includes indirect costs in establishing subcontracting goals.

Moran's Small Business Liaison Officer has identified all tug and towing procurement sources as to business classifications, i.e., large, small, small disadvantaged or women-owned small businesses. This information was developed by a review of existing company source lists. He will carefully scrutinize each procurement for a possible award to a small business concern or small disadvantaged and women-owned small business concern (should one become available during the course of performance of the Contract). Source lists published by the Small Business Administration, Virginia Department of Minority Business Enterprises and Tidewater Regional Minority Purchasing Council are available to assist in identifying small disadvantaged business concerns.

When a small non-disadvantaged business concern or a small disadvantaged or women-owned small business concern is contracted to perform work for Moran, Moran's policy regarding the processing of invoices for payment is implemented to insure timely payment to these business concerns in accordance with their terms.

3. Description of Efforts to Ensure Equitable Opportunity to Compete for Subcontracts

In addition to the steps described elsewhere herein, Moran will take additional steps to ensure equitable opportunity to compete for subcontracts. When a small business is not contemplated for procurements in excess of \$10,000 and production requirements allow sufficient time, the Small Business Liaison Officer will contact the Small Business Administration through the Contracting Officer to obtain the name of a potentially qualified small business.

4. Inclusion of Clause at FAR 52.219-8 in Certain Subcontracts as Required / Plans for Subcontractors with Subcontracts in Excess of \$500,000

Moran will include the clause at FAR 52.219-8 in this Contract entitled "Utilization of Small, Small Disadvantaged and Women-Owned Small Business Concerns" in all subcontracts that offer further subcontracting opportunities, and Moran will require all subcontracting (except small business concerns) who receive subcontracts in excess of \$500,000.00 to adopt a plan similar to the plan agreed to by Moran.

5. Studies / Surveys / Periodic Reporting / Standard Forms

Moran will cooperate in any studies or surveys as may be required by the government, submit periodic reports in order to allow the government to determine the extent of compliance by Moran with its Subcontracting Plan, submit Standard Form 294, Subcontracting Report for Individual Contracts, and/or SF 295, Summary Subcontract Report, in accordance with the instructions on the forms, and insure that its subcontractors agree to submit Standard Forms 294 and 295.

6. Records to be Maintained

Moran will maintain copies of subcontracts, purchase orders, and invoices consistent with its presently established accounting system which will demonstrate the amount of services and supplies which have been subcontracted to small and small disadvantaged businesses. It will also maintain a file of source lists, together with a description of efforts to locate small and small disadvantaged businesses and to award subcontracts to them.

Moran will maintain records according to FAR 52.219-9(11) including any records of any outreach efforts to contact (a) trade associations, (b) business development organization, and (c) conferences and trade fairs to locate small non-disadvantaged/small disadvantaged and women-owned business concerns. The records shall include the following:

- (i) source lists and other data that identify small, small disadvantaged and women-owned small business concerns,
- (ii) organizations contacted in an attempt to locate sources that are small, small disadvantaged and women-owned small business concerns,
- (iii) records on each subcontract solicitation of more than \$100,000 indicating:
 - (a) whether small businesses were solicited, and if not, why not,
 - (b) whether small disadvantaged businesses were solicited, and if not, why not.

**MORAN TOWING CORPORATION'S
PROPOSAL TO
DEPARTMENT OF THE NAVY
MILITARY SEALIFT COMMAND
RFP N00033-98-R-1015
OCTOBER 29, 1998**

**This submission includes data that shall not
be disclosed outside the Government and
shall not be duplicated, used, or disclosed in
whole or in part for any purpose other than to
evaluate this proposal.**

**ASSIGNMENT OF MONIES DUE OR TO BECOME DUE
UNDER GOVERNMENT CONTRACT**

THIS ASSIGNMENT OF MONIES DUE OR TO BECOME DUE UNDER GOVERNMENT CONTRACT (the "Assignment") is made as of this 17th day of December, 1999, by Moran Towing Corporation, a New York Corporation ("Assignor"), for the benefit of State Street Bank and Trust Company ("Assignee"), a Massachusetts trust company, as a financing institution in accordance with Federal Acquisition Regulation 32.802(b) and its successors in interest in its capacity as security agent under and pursuant to that certain Security and Application of Funds' Agreement (the "Application Agreement") dated as of the date hereof among Assignor, Assignee and U.S. Bancorp Leasing & Financial ("USB") (herein as the same may be at any time modified, amended or supplemented or other parties added thereto being referred to as the "Application Agreement") as follows:

W I T N E S S E T H:

A. Assignor and the U.S. Department of the Navy, Military Sealift Command, an agency, instrumentality or department of the United States of America (the "Government") have entered into that certain U.S. Contract No. N00033-99-C-1015 dated 30 November 1998 (together with any amendments, change orders, additions, modifications or supplements thereto or extensions thereof, the "Contract").

B. As a condition of certain transactions between Assignor and USB and certain other transactions to be entered into between Assignor and certain parties to be determined, USB requires that Assignor assign to Assignee all of Assignor's rights to all monies due or to become due under the Contract, pursuant to and in accordance with the Assignment of Claims Act of 1940, as amended (the "Act"), 31 U.S.C. § 3727, 41 U.S.C. § 15, Subpart 32.8 of the Federal Acquisition Regulation,

SCHEDULE G

Assignment of Claims and Subpart 232.8 of the Department of Defense Federal Acquisition Regulation Supplement, Assignment of Claims.

NOW, THEREFORE, for value received, Assignor hereby assigns, transfers and sets over to Assignee all monies due or to become due Assignor under the Contract (the "Assigned Claims"). This Assignment shall be subject to the following terms and conditions:

1. Method of Payment. Assignor hereby authorizes and directs the Government to make all payments which may be due or become due under the contract directly by wire transfer of immediately available funds to:

State Street Bank and Trust Company
ABA #011000028
ACCT # 99039919
ACCT NAME: CORPORATE TRUST HTFD
RE: MORAN MSC CONTRACT
ATTN.: KAREN FELT (860) 244-1821

2. Covenants of Assignor. Assignor covenants to and agrees with Assignee that so long as this Assignment shall remain in effect:

- (a) Assignor will duly perform and observe all of its obligations under the Contract in accordance with the terms thereof.
- (b) Assignor will execute and deliver to Assignee such Financing Statements and/or Continuation Statements as Assignor may reasonably request to perfect and/or continue the perfection of Assignee's security interest in the Assigned Claims.
- (c) Assignor will provide Assignee with true, correct and complete copies of any and all amendments, change orders, additions, modifications or supplements to the Contract which may be agreed to by Assignor and the Government at any time after the execution of this Assignment and prior to its termination.
- (d) Although it is contemplated that the Government will make Contract payments directly to Assignee, any payment or instrument of payment received by Assignor from the

Government relating to the Contract shall be held in trust by Assignor for Assignee and promptly delivered by Assignor to Assignee in the form in which received.

3. Rights of Assignee. In addition to the rights which Assignee may have pursuant to the other provisions of this Assignment, under the Act and other applicable laws and regulations, so long as this Assignment remains in effect Assignee shall have the right to apply any Contract payments received by Assignee pursuant to this Assignment to any one or more or all of the obligations of Assignor under and pursuant to the Application Agreement; and/or to take possession of and endorse in the name of Assignor any checks or other instruments for the payment of money received by Assignee on account of the Assigned Claims. Nothing in this Assignment is intended to obligate Assignee to make any demand for payment, bring any action against the Government in the name of Assignor, or to take any other action permitted to be taken by Assignee hereunder. Nothing in this Assignment is intended to obligate the Government, which is merely consenting to the Assignment of such payments or funds, to enforce in any way any of the obligations between Assignee and Assignor.

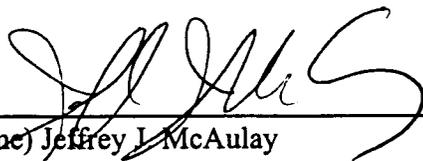
4. Notice of Assignment. Assignor shall notify Assignee as to the appropriate Contracting Officer or agency head, the surety on any bond applicable to the Contract and the disbursing officer designated in the Contract to make payments so that Assignee can file a Notice of Assignment along with a true copy of this Assignment to such persons.

5. Miscellaneous. This Assignment shall be construed in accordance with the Act and to the extent applicable, the internal laws of the State of New York. This Assignment shall be binding upon and inure to the benefit of Assignor and Assignee. This Assignment may be executed in multiple

counterparts, each of which shall be deemed an original hereof and all of which when taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Assignor has executed this Assignment or caused the same to be executed as of the date first above written.

ASSIGNOR: MORAN TOWING CORPORATION

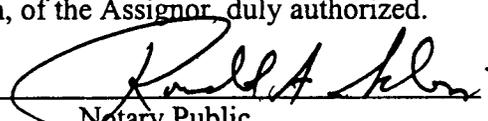
By: 
(Name) Jeffrey J. McAulay
(Title) Vice President, Finance and Administration

ATTEST:
By:  CORPORATE SEAL
Alan Marchisotto, Secretary

STATE OF CONNECTICUT
CITY OF STAMFORD, to-wit:

COUNTY OF FAIRFIELD

Acknowledged before me this 17th day of December, 1999, by Assignor in the foregoing Assignment of Monies Due Or to Become Due Under Government Contract, by Jeffrey J. McAulay, Vice President - Finance and Administration, of the Assignor, duly authorized.


Notary Public

My Commission Expires:
Ronald A. Sabla
Notary Public in
County of Fairfield
State of Connecticut
My Commission Expires June 30, 2001

Military Sealift Command
WASHINGTON NAVY YARD, BLDG 210
901 M STREET SE
WASHINGTON DC 20398-5540



DATE: 3/9/00

FROM: Laura Olsen-Berge

Phone: (202) 685 - 5946 /Autovon: 325 -

FAX: (202) 685 - 5965 /Autovon: 325 -

Total Pages Transmitted (Including this page): _____

TO: Ned Moran

Phone: _____ /FAX: 203 625 7843

SUBJ: Assignment of Claims

COMMENTS:

Surprise!

MSC 5272/1A (6-94)

12. AMENDMENT/MODIFICATION OF CONTRACT

1. CONTRACT ID: P00003
PAGE OF PAGES: 1 / 2

2. ISSUED BY: DEPARTMENT OF THE NAVY
MILITARY SEALIFT COMMAND, WMY
914 CHARLES MORRIS COURT SW
WASHINGTON, D.C. 20304-6641

3. EFFECTIVE DATE: 28 DEC 00

4. REQUISITION/PURCHASE REQ. NO. / PROJECT NO. (if applicable):

5. ADMINISTERED BY (if other than item 6): Laura Olsen-Berge (202) 685-6946

6. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and Zip Code):
MORAN TOWING CORP
2 GREENWICH PLAZA, 3RD FLOOR
GREENWICH, CT 06830-6386

7. AMENDMENT OF SOLICITATION NO. (X)
9A. AMENDMENT OF SOLICITATION NO.
9B. DATED (SEE ITEM 11)
10A. MODIFICATION OF CONTRACT/ORDER NO00033-00-C-1016
10B. DATED (SEE ITEM 13) 30-Nov-00

8. CODE: / FACILITY CODE:

11. THIS ITEM APPLIES TO AMENDMENTS OF SOLICITATIONS
The above numbered solicitation is amended as set forth in item 10. The hour and date specified for receipt of offers...
12. ACCOUNTING AND APPROPRIATION DATA (if required)
AA97X4930 ND2A 000 0000 0 N00033 2Y NOTULX 07/07/00

13. THIS ITEM APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS.
IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.
A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO THE AUTHORITY OF:
D. OTHER (Specify type of modification and authority) CLAUSE 146, FAR 82-232-10, ASSIGNMENT OF CLAIMS

IMPORTANT: Contractor is not, is required to sign this document and return 1 copies to the issuing office.

1. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible)
SEE ATTACHED PAGES

As provided herein, all terms and conditions of the agreement referenced in item 6A or 10A, as hereinafter changed, remain unchanged and in full force and effect.

NAME AND TITLE OF SIGNER (Type or print): IMOND J. MORAN, Jr., Senior Vice-President

18A. NAME AND TITLE OF CONTRACT OFFICER (Type or print): ANTE WILSON, CONTRACTING OFFICER

18C. DATE SIGNED: 1/9/2000

18B. UNITED STATES OF AMERICA

18C. DATE SIGNED: 1/11/00

Contractor/Offeror Signature: *Imond Moran*

Contracting Officer Signature: *Ante Wilson*

STANDARD FORM 30 (REV. 10-88)
Prescribed by GSA
FAR (48 CFR) 53.210

01/10/00 MON 17:23 [TX/RX NO 9829]

The purpose of this modification is to incorporate the attached Notice of Assignment into contract N00033-99-C-1015 and to effect the changes therein. Accordingly, the contract is modified as follows:

- 1. Attachment (1), Notice of Assignment is hereby incorporated into the contract in its entirety.
- 2. Attachment (2), Assignment of Monies Due or To Become Due Under Government Contract, is hereby incorporated into the contract in its entirety.
- 3. As a result of this, and the Military Sealift Command's acceptance of the same, all payments due or that may be hereafter due or owing under the contract to the Assignee by checks or other orders, shall be payable to the order of:

State Street Bank and Trust Company
 225 Asylum Street
 Hartford, CT 06103
 Attention: Michael M. Hopkins, Vice President

By electronic payment by wire transfer:

State Street Bank and Trust Company
 ABA #011000028
 ACCT # 99039919
 ACCT NAME: CORPORATE TRUST HTFD
 RE: MORAN MSC CONTRACT
 ATTN: KAREN FELT (860) 244-1821

- 4. All other terms and conditions of the contract remain unchanged.

01/10/00 MON 17:23 [TX/RX NO 9829]

MSgt Shawn Faries
Defense Finance and Accounting Service
Omaha Operating Location
PO Box 7040
Bellevue NE 68005-1940

Dear MSgt Faries:

Reference is made to Contract No. N000399C1015, a contract entered into between the United States of America, represented by a contracting officer of the Military Sealift Command ("MSC"), Department of the Navy and Moran Towing Corporation, providing for the tug services. You are the Disbursing Officer designated in the Contract to make payments thereunder.

We have been informed that, pursuant to the Assignment of Claims Act, 1940, as amended, (31 U.S.C. § 3727, 41 U.S.C. § 15), monies due and to become due under the Contract have been assigned by the Contractor to State Street Bank and Trust Company. Enclosed are an original and three copies of a Notice of Assignment as prescribed in FAR 32.805 and a copy of the instrument of assignment. Please acknowledge receipt of this notice and return the required copies to the assignee in accordance with the requirements of the FAR as soon as possible. Also enclosed for your records is a copy of the Notice of Assignment addressed to the contracting Officer showing the acknowledgement of receipt signed by such officer.

This office has retained a copy of this Notice of Assignment. All payments to be made under the Contract shall be directed to be made in accordance with the terms of the enclosed Notice of Assignment after it becomes valid upon your execution of the Acknowledgement and for so long as it remains valid. Please make a copy of the Notice of Assignment showing your signature on the Acknowledgement and return it to this office, or FAX a copy to us at (202) 685-5870 to the attention of the undersigned, immediately after your execution.

We appreciate your cooperation in this matter.

Sincerely yours,


CAROLYN MERRITT
Fiscal Accounting Specialist

NOTICE OF ASSIGNMENT

To: Carolyn Merritt, ~~Electronics~~
Department of Navy, Military
Sealift Command, N 86
Washington Navy Yard
914 Charles Morris Court SE
Washington, DC 20398

This has reference to Contract No. N00033-99-C-1015 dated 30 November, 1998, entered into between Moran Towing Corporation, Two Greenwich Plaza, Greenwich, Connecticut 06830 (Contractor's name and address) (the "Contractor") and the U.S. Department of the Navy, Military Sealift Command, Washington Navy yard, 914 Charles Morris Court SE, Washington, DC 20398, Attention: Ms. Laura Olesen-Berge (the "Navy"), of harbor tug services in Norfolk, Virginia.

Moneys due or to become due under the contract described above have been assigned to the undersigned under the provisions of the Assignment of Claims Act of 1940, as amended, 31 U.S.C. 3727, 41 U.S.C. 15.

A true copy of the instrument of assignment executed by the Contractor on December 17, 1999, is attached to the original notice.

Payments due or to become due under this contract should be made to the undersigned assignee.

Please return to the undersigned the three enclosed copies of this notice with appropriate notations showing the date and hour of receipt, and signed by the person acknowledging receipt on behalf of the addressee.

Very truly yours,

ASSIGNEE:
STATE STREET BANK AND
TRUST COMPANY

By: 
(signature of signing officer)
Michael M. Hopkins
Vice President

Address of Assignee:
State Street Bank and Trust Company
225 Asylum Street

Hartford, Connecticut 06103
Attention: Michael M. Hopkins, Vice President

ACKNOWLEDGMENT

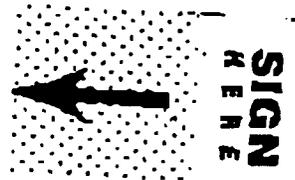
Receipt is acknowledged of the above notice and a copy of the instrument of assignment. They were received at 1500 (a.m. (p.m.)) on December 17 2000 March

2 1999 2000
(Signature)

(Signature of ~~Contracting Officer~~ Disbursing Officer)
Name: Caroline M. ...
Title: Disbursing Officer

On behalf of:

United States Navy
Military Sealift Command N 86
Washington Navy Yard
914 Charles Morris Court SE
Washington, DC 20398



ASSIGNMENT OF MONIES DUE OR TO BECOME DUE
UNDER GOVERNMENT CONTRACT

THIS ASSIGNMENT OF MONIES DUE OR TO BECOME DUE UNDER GOVERNMENT CONTRACT (the "Assignment") is made as of this 17th day of December, 1999, by Moran Towing Corporation, a New York Corporation ("Assignor"), for the benefit of State Street Bank and Trust Company ("Assignee"), a Massachusetts trust company, as a financing institution in accordance with Federal Acquisition Regulation 32.802(b) and its successors in interest in its capacity as security agent under and pursuant to that certain Security and Application of Funds Agreement (the "Application Agreement") dated as of the date hereof among Assignor, Assignee and U.S. Bancorp Leasing & Financial ("USB") (herein as the same may be at any time modified, amended or supplemented or other parties added thereto being referred to as the "Application Agreement")-as follows:

WITNESSETH:

A. Assignor and the U.S. Department of the Navy, Military Sealift Command, an agency, instrumentality or department of the United States of America (the "Government") have entered into that certain U.S. Contract No. N00033-99-C-1015 dated 30 November 1998 (together with any amendments, change orders, additions, modifications or supplements thereto or extensions thereof, the "Contract").

B. As a condition of certain transactions between Assignor and USB and certain other transactions to be entered into between Assignor and certain parties to be determined, USB requires that Assignor assign to Assignee all of Assignor's rights to all monies due or to become due under the Contract, pursuant to and in accordance with the Assignment of Claims Act of 1940, as amended (the "Act"), 31 U.S.C. § 3727, 41 U.S.C. § 15, Subpart 32.8 of the Federal Acquisition Regulation,

Assignment of Claims and Subpart 232.8 of the Department of Defense Federal Acquisition Regulation Supplement, Assignment of Claims.

NOW, THEREFORE, for value received, Assignor hereby assigns, transfers and sets over to Assignee all monies due or to become due Assignor under the Contract (the "Assigned Claims"). This Assignment shall be subject to the following terms and conditions:

1. Method of Payment. Assignor hereby authorizes and directs the Government to make all payments which may be due or become due under the contract directly by wire transfer of immediately available funds to:

State Street Bank and Trust Company
ABA #011000028
ACCT # 99039919
ACCT NAME: CORPORATE TRUST HTFD
RE: MORAN MSC CONTRACT
ATTN.: KAREN FELT (860) 244-1821

2. Covenants of Assignor. Assignor covenants to and agrees with Assignee that so long as this Assignment shall remain in effect:

- (a) Assignor will duly perform and observe all of its obligations under the Contract in accordance with the terms thereof.
- (b) Assignor will execute and deliver to Assignee such Financing Statements and/or Continuation Statements as Assignor may reasonably request to perfect and/or continue the perfection of Assignee's security interest in the Assigned Claims.
- (c) Assignor will provide Assignee with true, correct and complete copies of any and all amendments, change orders, additions, modifications or supplements to the Contract which may be agreed to by Assignor and the Government at any time after the execution of this Assignment and prior to its termination.
- (d) Although it is contemplated that the Government will make Contract payments directly to Assignee, any payment or instrument of payment received by Assignor from the

Government relating to the Contract shall be held in trust by Assignor for Assignee and promptly delivered by Assignor to Assignee in the form in which received.

3. Rights of Assignee. In addition to the rights which Assignee may have pursuant to the other provisions of this Assignment, under the Act and other applicable laws and regulations, so long as this Assignment remains in effect Assignee shall have the right to apply any Contract payments received by Assignee pursuant to this Assignment to any one or more or all of the obligations of Assignor under and pursuant to the Application Agreement; and/or to take possession of and endorse in the name of Assignor any checks or other instruments for the payment of money received by Assignee on account of the Assigned Claims. Nothing in this Assignment is intended to obligate Assignee to make any demand for payment, bring any action against the Government in the name of Assignor, or to take any other action permitted to be taken by Assignee hereunder. Nothing in this Assignment is intended to obligate the Government, which is merely consenting to the Assignment of such payments or funds, to enforce in any way any of the obligations between Assignee and Assignor.

4. Notice of Assignment. Assignor shall notify Assignee as to the appropriate Contracting Officer or agency head, the surety on any bond applicable to the Contract and the disbursing officer designated in the Contract to make payments so that Assignee can file a Notice of Assignment along with a true copy of this Assignment to such persons.

5. Miscellaneous. This Assignment shall be construed in accordance with the Act and to the extent applicable, the internal laws of the State of New York. This Assignment shall be binding upon and inure to the benefit of Assignor and Assignee. This Assignment may be executed in multiple

counterparts, each of which shall be deemed an original hereof and all of which when taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Assignor has executed this Assignment or caused the same to be executed as of the date first above written.

ASSIGNOR: MORAN TOWING CORPORATION

By: [Signature]
(Name) Jeffrey J. McAulay
(Title) Vice President, Finance and Administration

ATTEST:
By: [Signature] CORPORATE SEAL
Alan Marchisotto, Secretary

STATE OF CONNECTICUT
CITY OF STAMFORD, to-wit:

COUNTY OF FAIRFIELD

Acknowledged before me this 17th day of December, 1999, by Assignor in the foregoing Assignment of Monies Due Or to Become Due Under Government Contract, by Jeffrey J. McAulay, Vice President - Finance and Administration, of the Assignor, duly authorized.

[Signature]
Notary Public

My Commission Expires:
Renaud A. Sebba
Notary Public in
County of Fairfield
State of Connecticut
My Commission Expires June 30, 2001

NOTICE OF ASSIGNMENT

To: R. E. Wilson, Contracting Officer
Department of Navy, Military
Sealift Command, N 102
Washington Navy Yard
914 Charles Morris Court SE
Washington, DC 20398
Attention: Ms. Laura Olesen-Berge

This has reference to Contract No. N00033-99-C-1015 dated 30 November, 1998, entered into between Moran Towing Corporation, Two Greenwich Plaza, Greenwich, Connecticut 06830 (Contractor's name and address) (the "Contractor") and the U.S. Department of the Navy, Military Sealift Command, Washington Navy yard, 914 Charles Morris Court SE, Washington, DC 20398, Attention: Ms. Laura Olesen-Berge (the "Navy"), of harbor tug services in Norfolk, Virginia.

Moneys due or to become due under the contract described above have been assigned to the undersigned under the provisions of the Assignment of Claims Act of 1940, as amended, 31 U.S.C. 3727, 41 U.S.C. 15.

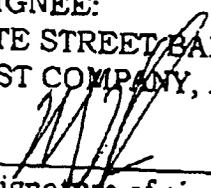
A true copy of the instrument of assignment executed by the Contractor on December 17, 1999, is attached to the original notice.

Payments due or to become due under this contract should be made to the undersigned assignee.

Please return to the undersigned the three enclosed copies of this notice with appropriate notations showing the date and hour of receipt, and signed by the person acknowledging receipt on behalf of the addressee.

Very truly yours,

ASSIGNEE:
STATE STREET BANK AND
TRUST COMPANY, AS SECURITY AGENT

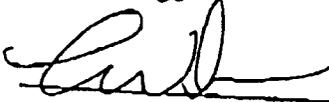
By: 
(signature of signing officer)
Michael M. Hopkins
Vice President

Address of Assignee:
State Street Bank and Trust Company

225 Asylum Street
Hartford, Connecticut 06103
Attention: Michael M. Hopkins, Vice President

ACKNOWLEDGMENT

Receipt is acknowledged of the above notice and a copy of the instrument of assignment. They were received at 1700 (a.m. ((p.m.) on ~~December~~ 10, ~~1999~~ 2000 January)



(Signature of Contracting Officer)

Name: R. E. Wilson

Title: Contracting Officer

On behalf of:

United States Navy
Military Sealift Command N 102
Washington Navy Yard
914 Charles Morris Court SE
Washington, DC 20398
Attention: Ms. Laura Olesen-Berge

SECURITY AND APPLICATION OF FUNDS AGREEMENT

This Security and Application of Funds Agreement (as at any time amended, modified or supplemented, by execution of one or more addenda hereto substantially in the form of Schedule A annexed hereto and made a part hereof, or otherwise, is hereinafter referred to, unless the context otherwise requires, as the or this "Agreement") is made as of this 17th day of December, 1999 by and among STATE STREET BANK AND TRUST COMPANY, a Massachusetts trust company (hereinafter referred to as "Assignee" or "Escrow Agent"), MORAN TOWING CORPORATION ("Moran"), a New York corporation, FLEET BANK, N.A., a national banking association in its capacity as Administrative Agent under the Credit Agreement referred to below (the "Administrative Agent") and U.S. BANCORP LEASING & FINANCIAL (an Oregon corporation hereinafter referred to as "USB" and sometimes referred to as a "Beneficiary" and together with such other persons, firms, companies and corporations as may become parties hereto by execution and delivery of an addendum or addenda to this Agreement substantially in the form of Schedule A annexed hereto and made a part hereof and designated therein as a "Beneficiary" as the "Beneficiaries"). Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in Schedule B annexed hereto and made a part hereof.

WITNESSETH

WHEREAS, it is contemplated that USB, as "Shipowner", and Moran, as "Charterer" shall enter into that certain Demise Charter (hereinafter referred to as a "Demise Charter" and together with any other Demise Charters referred to in any addendum or addenda hereto being referred to herein as the "Demise Charters") to be dated as of December 29, 1999 providing for the demise charter of the United States flag towing vessel named MARCI MORAN, Official No. 1088747 (hereinafter sometimes referred to as a "Demise Charter Vessel" and together with any other vessel or vessels that may be referred to in any addendum or addenda hereto and which are chartered by USB or another Beneficiary to Moran pursuant to any Demise Charter being herein sometimes together referred to as the "Demise Charter Vessels");

WHEREAS, Moran Transportation Company, a Delaware corporation ("Moran Transportation"), as borrower, is a party to a certain Credit Agreement, dated as of October 30, 1998, by and among Moran Transportation, the Lenders (as defined therein), Fleet Bank, N.A., as Initial Issuing Bank (as defined therein), and the Administrative Agent (such Credit Agreement, as amended, supplemented or otherwise modified from time to time, being

referred to herein as the "Credit Agreement"):

WHEREAS, Moran has heretofore entered into the Navy Contract pursuant to which Moran will provide towing, harbor services, and other tugboat assistance to the United States Navy:

WHEREAS, in performing such towing, harbor services and tugboat assistance, (a) Moran shall employ the Demise Charter Vessel MARCI MORAN, Moran to have full use of such Vessel pursuant to the Demise Charter relating thereto and (b) it is contemplated that Moran shall also employ both (i) other Demise Charter Vessels (Moran to have full use of such Demise Charter Vessels pursuant to the Demise Charter(s) relating thereto) and (ii) other vessels which are not the subject of Demise Charters (such vessels are referred to herein as the "Non-Demise Charter Vessels"); the Demise Charter Vessels and the Non-Demise Charter Vessels are collectively referred to herein as the "Vessels";

WHEREAS, pursuant to certain Collateral Documents (as defined in the Credit Agreement), Moran has granted or shall grant to the Administrative Agent, for the benefit of the Administrative Agent and the ratable benefit of the Lenders, a security interest, mortgage and/or other lien in or on the Non-Demise Charter Vessels:

WHEREAS, pursuant to (among other documents) the terms of the Navy Contract and the Navy Contract Assignment, Moran has assigned, pursuant to the Navy Contract Assignment, to the Escrow Agent, acting as security agent for the benefit of the Beneficiaries and the Administrative Agent (for the benefit of itself and the ratable benefit of the Lenders), all monies due or to become due under and pursuant to the Navy Contract and hereby grants to the Escrow Agent, acting as security agent for the Beneficiaries and the Administrative Agent (for the benefit of itself and the ratable benefit of the Lenders), a security interest in the "Escrow Fund"(hereinafter defined) as hereinafter provided:

WHEREAS, the Navy Contract Assignment and Navy Contract Assignment Notices have been duly received by the Contracting Officer and Disbursing Officer under the Navy Contract and such Notices have been or are anticipated to be acknowledged by such Officers within thirty days after the date of the Demise Charter for the MARCI MORAN, the Escrow Agent being a financing institution within the meaning of the Federal Acquisition Regulations ("FAR Regulations"), including §52.232-23 of Title 48 of the Code of Federal Regulations:

WHEREAS, the Escrow Agent has established the "Escrow Account" (hereinafter defined) and the United States Navy has been authorized and directed, pursuant to the Navy Contract Assignment and Navy Contract Assignment Notices, to make any and all payments due and payable to Moran under the Navy Contract to the Escrow Agent for deposit in the Escrow Account whether the services performed by Moran under and pursuant to the Navy Contract are performed by the Demise Charter Vessels or the Non-Demise Charter Vessels:

WHEREAS, all funds deposited in the Escrow Account shall be held by the Escrow Agent (i) to the extent such funds relate to the Demise Charter Vessels or their operations, as security for the performance by Moran of its obligations under and in respect of the Demise Charter Transaction Documents with respect to such Demise Charter Vessels and (ii) to the extent such funds relate to the Non-Demise Charter Vessels, as security for the Obligations (as defined in the Credit Agreement) of Moran under the Loan Documents (as defined in the Credit Agreement):

WHEREAS, USB and Moran, concurrently with the execution and delivery of the Demise Charter of the MARCI MORAN, shall enter into an Investment and Sale Agreement with respect to the MARCI MORAN and it is anticipated that Moran and the other Beneficiaries will enter into similar Investment and Sale Agreements with respect to the other Demise Charter Vessels:

WHEREAS, the Navy Contract Assignment states that this Agreement is between Moran, the Escrow Agent and USB and "other parties added thereto" and the Administrative Agent and any Beneficiaries from time to time added hereto shall each be deemed and considered such other parties: and

WHEREAS, the parties hereto desire to set forth the further terms and conditions in addition to those set forth above relating to the matters described above and relating to the Escrow Fund.

NOW THEREFORE, the parties hereto, in consideration of the premises, and the mutual covenants hereinafter contained, and intending to be legally bound, hereby agree as follows:

1. Grant and Perfection of Security Interest in the U.S. Navy Contract and the Escrow Fund. At the request and direction of Moran, the Escrow Agent has heretofore executed and delivered the Navy Contract Assignment Notices to the appropriate Contracting Officer and Disbursing Officer of United States Navy as specified therein for acknowledgment in

accordance with the FAR Regulations. Moran will use its best efforts to cause the said Officers to return copies of the Navy Contract Assignment Notices with appropriate notations showing receipt, and signed by the person acknowledging receipt, within thirty days from the date of the Demise Charter for the vessel MARCI MORAN. Failure of the United States Navy to do so within such thirty day period is specified as an Event of Default under the Demise Charter of the vessel MARCI MORAN. The United States Navy is instructed, pursuant to the Navy Contract Assignment and Navy Contract Assignment Notices, to transfer by wire all monies due or to become due under the Navy Contract to State Street Bank and Trust Company as follows:

STATE STREET BANK AND TRUST COMPANY
ABA #011000028
ACCOUNT #99039919
ACCOUNT NAME: CORPORATE TRUST HTFD
RE: MORAN MSC CONTRACT
ATTN.: KAREN FELT (860) 244-1821

All funds at any time on deposit in the foregoing account (the "Escrow Account"), together with any and all interest earned thereon, if any, shall be hereinafter referred to as the "Escrow Funds". Moran hereby grants a security interest in the Escrow Funds to the Escrow Agent acting as security agent for (i) to the extent such Escrow Funds relate to the Demise Charter Vessels or their operations, the benefit of the Beneficiaries and (ii) to the extent such Escrow Funds relate to the Non-Demise Charter Vessels, the Administrative Agent (for the benefit of itself and the ratable benefit of the Lenders). In addition to the Navy Contract Assignment, Moran, as debtor, shall cause to be filed UCC-1 Financing Statements in each jurisdiction necessary or advisable in the opinion of USB and any other Beneficiaries which may become parties to this Agreement, or in the opinion of the Administrative Agent, in respect of the right, title and interest of Moran in and to the monies earned under the Navy Contract and/or the Escrow Fund. The Escrow Agent shall sign, as secured party, such UCC-1 Financing Statements and related documents as requested by Moran or USB or any other Beneficiary, or the Administrative Agent, but shall have no responsibility whatsoever for such filings or for the correctness of the place of filing. Moran shall insure that the filings are made in all states and/or local offices which Moran and/or USB or any other Beneficiary, or the Administrative Agent, believe necessary or advisable to protect the interest of the Escrow Agent acting for USB and/or such other Beneficiary or the Administrative Agent.

2. Addendum or Addenda to this Agreement: Rights and Obligations of Parties Prior to and Following an Event of Default.

(a) Additional Beneficiaries may become a party to this Agreement by the execution and delivery by such additional Beneficiary, Moran, the Escrow Agent, the other Beneficiaries and the Administrative Agent, and acceptance by Moran, of an Addendum to this Agreement substantially in the form of Schedule A to this Agreement. The Escrow Agent, such other Beneficiaries and the Administrative Agent hereby agree, upon the request of Moran, to execute and deliver such Addenda for the purpose of adding additional Beneficiaries.

(b) As used herein, the term "Event of Default" shall mean the occurrence of an Event of Default (which has not been waived in writing by the applicable party(ies)) under (aa) the Demise Charter of the MARCI MORAN or under any other Demise Charter, with respect to a Demise Charter Vessel, hereinafter entered into between Moran and a Beneficiary whom or which becomes a party to this Agreement by execution of an Addendum hereto or (bb) the Credit Agreement.

(i) Prior to receipt by the Escrow Agent of a written notice of an Event of Default given by (aa) USB or any other Beneficiary which may hereafter become party to this Agreement or (bb) the Administrative Agent, the Escrow Agent shall disburse all Escrow Funds from time to time on deposit in the Escrow Account to or as directed by Moran and Moran shall have the right to the use thereof. Until and unless the Escrow Agent shall receive written notice of an Event of Default from USB or another Beneficiary or the Administrative Agent, it may assume without inquiry that it may continue to disburse funds from the Escrow Account as directed in writing by Moran.

(ii) Following receipt by the Escrow Agent of a written notice of the occurrence of an Event of Default from either of (aa) USB or any other Beneficiary which may hereafter become a party to the Agreement or (bb) the Administrative Agent, the Escrow Agent shall (A) with reasonable promptness, send copies of any such notice to Moran, all Beneficiaries and the Administrative Agent and (B) forthwith cease remitting any Escrow Funds to Moran (except for any Escrow Funds remitted to Moran pursuant to subparagraph (3) below). Following the receipt of such copies, the Beneficiaries and the Administrative Agent

shall consult with each other and with Moran (Moran hereby covenanting to cooperate in connection with same) for the purpose of the Beneficiaries and the Administrative Agent determining from time to time which portion of the then Escrow Funds then held by the Escrow Agent are attributable to each Vessel or the operations thereof. The Beneficiaries, the Administrative Agent and Moran each hereby covenant to cooperate with each other and to act in good faith so that any such determinations can be timely made by the Beneficiaries and the Administrative Agent. All such determinations shall be made at the sole expense of Moran. Upon the Beneficiaries and the Administrative Agent making any such determinations from time to time, all of the Beneficiaries and the Administrative Agent shall promptly send written instructions to the Escrow Agent to distribute the Escrow Funds related thereto in the manner set forth in subparagraphs (1), (2) and (3) below (it being understood and agreed that such written instructions shall set forth what amounts the Escrow Agent is to distribute under such subparagraphs, the Escrow Agent not having the duty to make such determination nor shall it be liable, once it has distributed the Escrow Funds in accordance with such instructions for the application of same by the recipient(s)):

(1) If an Event of Default has occurred and is then continuing under a Demise Charter, any portion of the Escrow Fund (together with any interest thereon) attributable to the operation of the Demise Charter Vessel which is the subject of such Demise Charter shall be paid to the Beneficiary which is the shipowner under such Demise Charter for application to the obligations of Moran and Moran Transportation to such Beneficiary under the Demise Charter Transaction Documents related to such Demise Charter, and such written instructions shall accordingly instruct the Escrow Agent to so pay such Beneficiary such amounts (and shall identify such amounts for the Escrow Agent); and

(2) If an Event of Default has occurred and is then continuing under the Credit Agreement, any portion of the Escrow Fund (together with any interest thereon) attributable to the operation of the Non-Demise Charter Vessels shall be paid to the

Administrative Agent for application to the obligations of Moran under the Loan Documents in accordance with the terms of the Old Moran Security Agreement (as defined in the Credit Agreement), and such written instructions shall accordingly instruct the Escrow Agent to so pay the Administrative Agent such amounts (and shall identify such amounts for the Escrow Agent): and

(3) any portion of the Escrow Fund not distributed to the Beneficiaries or the Administrative Agent under clauses (1) or (2) above shall be distributed to Moran.

3. Additional Duties of the Escrow Agent. A. In addition to the duties of the Escrow Agent set forth above, the Escrow Agent shall have the following responsibilities:

(a) The Escrow Agent shall use its best efforts to provide information, upon request, to Moran, the Beneficiaries or the Administrative Agent to assist in their determination of which funds deposited in the Escrow Account were generated by each Vessel.

(b) In the event any payments due under the Navy Contract are inadvertently paid directly to Moran, Moran will forthwith deposit such payments, and the Escrow Agent shall accept such payments for deposit in the Escrow Account, to then be distributed in accordance with the above Sections 2(b)(i) or 2(b)(ii), as the case may be.

(c) The Escrow Agent shall invest cash, dividends or other income may receive with respect to the Escrow Account in Federated Obligations Fund #68 (CUSIP No. 98400008) or, if so directed in writing by Moran, shall invest such funds as may be on deposit in the Escrow Account in short term money market funds, commercial paper rated A-1, P-1 by Moodys and Standard and Poors, in certificates of deposits of first class money center banks, certificates of deposits of the Escrow Agent or in repos of U.S. government securities. Income earned with respect to such investments shall be allocated for tax-reporting purposes to Moran, unless and until an Event of Default shall have occurred and be continuing in which event such interest shall be allocated to the parties entitled thereto and the Beneficiaries. Administrative Agent and Moran shall cooperate in making such allocation and shall provide written instructions to the Escrow Agent with respect to such allocation (if being understood and agreed that the Escrow Agent shall not have the duty to make any such allocation). Such income shall be accumulated in the Escrow Fund and disbursed solely

pursuant to written instructions under Section 2(b) of this Agreement. The Escrow Agent shall have no liability for any investment loss, including any investment loss incurred on any investment required to be liquidated prior to maturity in order to make a payment required hereunder.

B. The Escrow Agent acknowledges that it is acting as security agent under the Navy Contract Assignment and Navy Contract Assignment Notices for the benefit of the Beneficiaries and the Administrative Agent (for the benefit of itself and the ratable benefit of the Lenders). In doing so, it shall be entitled to all the benefits and protections (including those set forth in Section 4 below) provided for herein.

4. Exculpatory Provisions.

(a) The Escrow Agent shall be obligated only for the performance in good faith of such duties as are specifically set forth herein, each of which are ministerial and shall not be construed to be fiduciary in nature, and no implied duties or obligations of any kind shall be read into this Agreement against or on the part of the Escrow Agent. The Escrow Agent may rely and shall be protected in relying or refraining from acting on any instrument reasonably believed to be genuine and to have been signed or presented by the proper party or parties. The Escrow Agent shall not be liable for forgeries or false impersonations. The Escrow Agent shall not be liable for any act done or omitted as escrow agent hereunder (or as security agent under the Navy Contract Assignment or Navy Contract Assignment Notices) except for gross negligence or willful misconduct. The Escrow Agent shall in no case or event be liable for any agreement between other parties referred to or described in this Agreement or for the recitals contained in this Agreement, and the Escrow Agent shall have no duty to determine or compel compliance therewith and shall not be otherwise bound thereby, and shall have no liability for any representations or warranties of Moran, any Beneficiary or the Administrative Agent or for any punitive, incidental or consequential damages. If in doubt as to its duties and responsibilities hereunder, the Escrow Agent may consult with counsel of its choice and any act done or omitted pursuant to the advice or opinion of counsel, in good faith selected by the Escrow Agent, shall be conclusive evidence of the good faith of the Escrow Agent.

(b) Should any dispute arise with respect to the delivery, ownership, right of possession and/or disposition of the Escrow Account and/or Escrow Funds, or should any claim be made upon the Escrow Account by a third party, the Escrow Agent upon receipt of a written notice of such dispute or claim by the parties hereto or by a third party, is authorized and directed to retain in its possession without liability to anyone, all or any of

the Escrow Funds until such dispute shall have been settled either by the mutual agreement of the parties involved or by a final order, decree or judgment of a court in the United States, the time for perfection of an appeal of such order, decree or judgment having expired. The Escrow Agent may, but shall be under no duty whatsoever to, institute or defend any legal proceedings which relate to the Escrow Account and/or Escrow Funds.

(c) The Escrow Agent shall not be liable in any respect on account of the identity, authority or rights of the parties executing or delivering or purporting to execute of deliver the agreement or any documents or papers deposited or called for thereunder.

(d) The Escrow Agent shall not be liable for the outlawing of any rights under any statute of limitations with respect to the Agreement.

5. Alteration of Duties. The duties of the Escrow Agent may be altered, amended, modified or revoked only by a writing signed by all of the parties hereto.

6. Resignation and Removal of the Escrow Agent The Escrow Agent may resign as Escrow Agent at any time with or without cause by giving at least thirty (30) days' prior written notice to each of Moran, the Beneficiaries, and the Administrative Agent, such resignation to be effective thirty (30) days following the date such notice is given provided, however, that such resignation shall be in compliance with the FAR Regulations. In addition, Moran, the Beneficiaries and the Administrative Agent may jointly remove the Escrow Agent as escrow agent at any time with or without cause, by an instrument executed by Moran, the Beneficiaries and the Administrative Agent (which may be executed in counterparts) given to the Escrow Agent, which instrument shall designate the effective date of such removal and which removal shall be in compliance with the FAR Regulations. In the event of any such resignation or removal, a successor escrow agent which shall be a bank or trust company organized under the laws of the United States of America or of any State having (or if such bank or trust company is a member of a bank holding company, its bank holding company having) a combined capital and surplus of not less than \$50,000,000, shall be appointed by Moran with the approval of the Beneficiaries and the Administrative Agent, which approval shall not be unreasonably withheld. Any such successor escrow agent shall deliver to Moran and the Beneficiaries and the Administrative Agent a written instrument accepting such appointment, and thereupon it shall succeed to all the rights and duties of the escrow agent hereunder and shall be entitled to receive the Escrow Fund (to be held and disbursed in accordance with the terms hereof) provided such appointment shall be in compliance with the FAR Regulations.

7. Escrow Fees and Expenses. Moran shall be responsible to pay the Escrow Agent the Escrow Fees set forth on Schedule C annexed hereto and made a part hereof, together with any reasonable out-of-pocket expenses incurred by the Escrow Agent in connection with the execution, delivery and performance by the Escrow Agent of its duties hereunder.

8. Indemnification and Expenses Moran 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 the Escrow Agent and each of the other parties hereto (hereinafter defined as "Indemnified Persons"). 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 8 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 8) that may be imposed on, incurred by or asserted against any Indemnified Person, and in any way relating to or arising out of the this Agreement (including, without limitation, the performance of all obligations thereunder) including in connection with 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 any of the parties (whether or not the same shall become effective) or requiring the consent of or execution by Moran, except only that the Moran shall not be required pursuant to this Article 8 to indemnify any Indemnified Person for loss or liability resulting solely from such Indemnified Person's own gross negligence or willful misconduct. In the event that the Escrow Agent is owed any amount pursuant to the foregoing indemnification, it shall have the right to set-off against the Escrow Funds for reimbursement of same. The indemnification obligations under this Section 8 shall survive any termination of this Agreement. By accepting this Agreement, Moran Transportation hereby unconditionally guaranties the performance by Moran of the indemnification provisions of this Section 8.

9. Construction. The section headings in this Agreement and the table of contents hereto are for convenience of reference only and shall neither be deemed to be a part of this Agreement nor modify, define, expand or limit any of the terms or provisions hereof. All references herein to numbered sections, unless otherwise indicated, are to sections of this Agreement. Words and definitions in the singular shall be read and construed as though in the plural and vice versa, and words in the masculine, neuter or feminine gender shall be read and construed as though in either of the other genders where the context so requires.

10. Severability. If any provision of this Agreement, or the application thereof to any Person or circumstance, shall, for any reason or to any extent, be invalid or unenforceable, such invalidity or unenforceability shall not in any manner affect or render invalid or unenforceable the remainder of this Agreement, and the application of that provision to other Persons or circumstances shall not be affected but, rather, shall be enforced to the fullest extent permitted by applicable law.

11. No waivers. No failure or delay by the Escrow Agent, any Beneficiary or the Administrative Agent in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

12. Original Copies. This Agreement may be executed in counterpart originals each of which when executed and delivered shall be an original.

13. [Reserved]

14. Successors. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors, transferees and assigns.

15. Entire Agreement; Amendment; Survival.

(a) This Agreement, including all Addenda hereto, expresses the entire understanding of parties relating to the subject matter hereof; and all other understandings, written or oral, are hereby merged herein and superseded. No amendment or supplement to this Agreement, or waiver or modification of, or consent under, the terms hereof shall be effective unless in writing and signed by the party to be bound thereby, and also evidenced by an instrument in writing signed by the other parties hereto.

(b) Survival. All warranties, representations and covenants made by Moran in this Agreement or in any certificate or other instrument delivered by it or on its behalf under this Agreement shall be considered to have been relied upon by the other parties and shall survive the execution and delivery of this Agreement, regardless of any investigation made by the other parties or on their behalf. All statements of Moran, or on its behalf, in any such certificate or other instrument shall constitute warranties and representations by Moran

hereunder.

16. Limited Right of Set-Off. Except for the Escrow Agent's right of set-off set forth in Section 8 above, and except for the right to set-off against the Escrow Funds (if Moran fails to timely reimburse) for payment of the Escrow Fees set forth in Schedule C and the out of pocket expenses referred to in Section 7 above, the Escrow Agent shall have no right of set-off and shall have no lien against the Escrow Funds.

17. Miscellaneous

(a) Moran, the Beneficiaries and the Administrative Agent 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 Agreement.

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

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

(d) The headings of this Agreement 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 20, the terms of this Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

(f) All amounts payable hereunder by Escrow Agent to USB shall be paid in immediately available funds to U.S. Bank, ABA No. 123000220, Account No. 153600018292 in the name of U.S. Bancorp Leasing & Financial, reference Moran Towing, or as otherwise directed in writing (including to such bank account as may be specified) by, USB, such notice of change in wiring instructions to be sent to the Escrow Agent and Moran. Any Addendum adding any Person as a Beneficiary shall identify the initial wiring instructions for such Beneficiary; such Beneficiary may subsequently change such wiring instructions by written notice to the Escrow Agent and Moran.

(g) In the event that (i) the Old Moran Security Agreement shall be terminated in accordance with the terms thereof, the parties hereto shall, at the expense of Moran, execute and deliver such documents and take such other actions as shall reasonably be requested by Moran in order to evidence such termination, (ii) all obligations of Moran with respect to the Demise Charter Transaction Documents relating to a Demise Charter Vessel are paid and otherwise performed in full and the Demise Charter terminated, the parties hereto shall, at the expense of Moran, execute and deliver such documents and take such other actions as shall reasonably be requested by Moran in order to reflect such termination, and (iii) in the event that the Old Moran Security Agreement is terminated and all Demise Charters are terminated (and the obligations of Moran under all Demise Charter Transaction Documents with respect thereto are performed in full), the parties hereto shall, at the expense of Moran, execute and deliver such documents and take such other actions as shall reasonably be requested by Moran in order to evidence such termination including documents terminating this Agreement, assigning the rights to all monies in the Escrow Account to Moran and reassignment of the Navy Contract back to Moran. In the event that the Credit Agreement is replaced and/or refinanced with another credit agreement, the parties hereto shall, at the request and expense of Moran, execute and deliver such documents as may be necessary to reflect such replacement or refinancing and to substitute, under this Agreement, the agent under such facility for the Administration Agent.

(h) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY CONSENTS AND AGREES THAT ANY LEGAL ACTION, SUIT, OR PROCEEDING ARISING OUT OF OR IN ANY WAY IN CONNECTION WITH THIS AGREEMENT MAY BE INSTITUTED OR BROUGHT IN THE COURTS OF THE STATE OF NEW YORK, IN THE COUNTY OF NEW YORK, OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AS A BENEFICIARY, THE ADMINISTRATIVE AGENT OR MORAN, AS THE CASE MAY BE, MAY ELECT, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HERETO 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 THE PARTIES HERETO 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 19 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 AGREEMENT SHALL AFFECT THE

RIGHT OF THE PARTIES HERETO TO EFFECT SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR LIMIT THE RIGHT OF THE ESCROW AGENT, THE BENEFICIARIES OR THE ADMINISTRATIVE AGENT TO BRING ACTIONS, SUITS OR PROCEEDINGS WHETHER IN REM OR IN PERSONAM. IN LAW, EQUITY, ADMIRALTY OR OTHERWISE IN THE COURTS OF ANY OTHER JURISDICTION. EACH OF THE PARTIES HERETO 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.

(i) EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AND FOR ANY COUNTERCLAIM THEREIN.

19. Notices and Counterparts; Telecopy.

(a) 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 Escrow Agent:

STATE STREET BANK AND TRUST COMPANY
Goodwin Square
225 Asylum Street
Hartford, Connecticut 06103
Attention: Michael M. Hopkins, Vice President
Phone: (860) 244-1820
Telecopy: (860) 244-1889

To Moran:

MORAN TOWING CORPORATION
c/o Moran Transportation Company
2 Greenwich Plaza
Greenwich, Connecticut 06830
Attention: President
Telecopy: 203-625-7857

with a copy to:

Moran Transportation Company
2 Greenwich Plaza
Greenwich, Connecticut 06830
Attention: General Counsel
Telecopy: 203-625-7857

To USB:

U.S. BANCORP LEASING & FINANCIAL
7659 S.W. Mohawk Street
Tualatin, OR 97062

Attention: Keith Wiencek
Syndications Purchasing Officer
Phone: 503-797-0214
Telecopy: 503-234-8193

To the Administrative Agent :

FLEET BANK, N.A.
100 Federal Street
Boston, MA 02110

Attention: Peter M. Benham
Vice President

Phone: 617-434-5241
Telecopy: 617-434-1955

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.

(b) This Agreement may be executed in any number of counterparts and when so executed shall constitute an original thereof but all of which shall together constitute one (1) and the same Agreement.

(c) Legal delivery of this Agreement may be made by, among other methods, telecopy.

20. Assignments. No party may, without the prior express written consent of each other party, assign its right, title and interest in and to this Agreement or its obligations hereunder in whole or in part provided, however, that any Beneficiary or the Administrative Agent may assign its respective right, title and interest hereunder to another financial institution provided further that the assigning Beneficiary or the Administrative Agent, as the case may be, shall remain liable for the performance of any and all of its obligations hereunder whether arising prior to, concurrently with or after any such assignment.

21. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York as applied to contracts made and to be performed entirely within the State of New York except to the extent of any matters of Federal Law which may preempt State law.

22. Certification of Tax Identification Number. Each of the parties hereto agree to provide the Escrow Agent with a certified tax identification number by signing and returning a Form W-9 (or Form W-8, in case of a non-U.S. person) to the Escrow Agent within 30 days from the date hereof. Each of the parties hereto understands that, in the event its tax identification number is not certified to the Escrow Agent, the Internal Revenue Code may require withholding of a portion of any interest or other income earned on the investment of the Escrow Fund in accordance with the Internal Revenue Code, as amended from time to time. The Escrow Agent need not make any distribution of all or any portion of the Escrow Fund to any person until such person has furnished to the Escrow Agent such tax reporting documentation as the Escrow Agent shall reasonably require.

FLEET BANK, N.A.. as Administrative Agent

By: _____
Name:
Title:

ACCEPTED:

MORAN TRANSPORTATION COMPANY

By: _____
Name: _____
Title: _____

SCHEDULE A

Form of Addendum

This Addendum No. 1 dated as of 2 to that certain Security and Application of Funds Agreement dated as of December 17, 1999 by and among "Moran", the "Administrative Agent", the "Escrow Agent", "USB" and any other "Beneficiary" (if any) which has been previously added as a party to such Agreement (each as defined therein) (being hereinafter referred to, as the same may have heretofore been amended, supplemented or otherwise modified from time to time, as the "Agreement").

WITNESSETH:

WHEREAS, 3 ("Company") wishes to become a Beneficiary under the Agreement by the execution and delivery of this Addendum and to obtain the benefits therein provided for in, and is willing to observe all of the terms, conditions and provisions of, the Agreement; and

WHEREAS, the Company has entered into that certain Demise Charter ("Demise Charter") of the 4 (the "Specified Vessel") between the Company as shipowner and Moran as demise charterer and the other Transaction Documents referred to in Schedule A to the Demise Charter.

NOW, THEREFORE, the parties, in consideration of the premises, and the mutual covenants hereinafter contained, and intending to be legally bound, hereby agree as follows:

1. The Escrow Agent agrees to hold such portion of the Escrow Fund (as defined in the Agreement) attributable to the Specified Vessel or its operations subject to and in accordance with the terms of the Agreement as hereby modified. The Specified Vessel shall be a "Demise Charter Vessel" under the Agreement.

¹ Insert No. of Addendum

² Insert date of Addendum

³ Insert name of Shipowner

⁴ Insert name and official number of Vessel

2. The Company hereby accepts in all respects the terms and provisions of the Agreement as hereby modified and accepts all duties and responsibilities of a Beneficiary thereunder. The Company shall be a Beneficiary under the Agreement for all purposes.

3. Moran, the Administrative Agent, USB and any other Beneficiaries heretofore a party to the Agreement and the Escrow Agent, on the terms herein above set forth, hereby consent to the addition of the Company as a Beneficiary under the Agreement as hereby modified.

4. The address for the giving of notice to the Company shall be:

⁵

5. The wire instructions for the Company, for purposes of Section 17(f) of the Agreement, are as follows:

⁶

6. Except as herein above modified, the Agreement shall remain in full force and effect.

STATE STREET BANK AND TRUST
COMPANY, as Escrow Agent

By: _____

Name:

Title:

⁵ Insert address of the Company for the giving of notices

⁶ Insert wire instructions

FLEET BANK, N.A., as Administrative Agent

By: _____
Name:
Title:

U.S. BANCORP LEASING & FINANCIAL

By: _____
Name:
Title:

MORAN TOWING CORPORATION

By: _____
Name:
Title:

[Beneficiaries other than USB and the
Company, if any] ⁷

[Company] ⁸

ACCEPTED:

MORAN TRANSPORTATION COMPANY

By: _____
Name:
Title:

⁷ Insert signature lines for Beneficiaries other than USB

⁸ Insert signature lines for Company

23. Mistaken Wires by U.S. Navy. In the event that the United States Navy erroneously sends a wire of monies to the Escrow Agent for the payment of amounts not due under the Navy Contract, all parties hereto shall, at the request of Moran, take such actions as may be reasonably requested by Moran to correct such mistake.

IN WITNESS WHEREOF each of the parties hereto has executed this Agreement as of the day first above written.

STATE STREET BANK AND TRUST COMPANY, as Escrow Agent

By: Susan C. Merker
Name: Susan C. Merker
Title: Vice President

MORAN TOWING CORPORATION

By: Jeffrey J. Moran
Name: Jeffrey J. Moran
Title: V.P.

U.S. BANCORP LEASING & FINANCIAL

By: Rick DiStefano
Name: Rick DiStefano
Title: Senior Vice President

PAWPFILES\M633\075Security and Application of Funds Agreement.d.wpd

1-724 P.18/21 Job-288

200308777

... ..

TOTAL P.02

P.04/04

GILMARTIN, POSTER + SHAPTO

DEC-28-1999 16:12

004

LEASING

503 231 8193

12/28/99 15:03

23. Mistaken Wires by U.S. Navy. In the event that the United States Navy erroneously sends a wire of monies to the Escrow Agent for the payment of amounts not due under the Navy Contract, all parties hereto shall, at the request of Moran, take such actions as may be reasonably requested by Moran to correct such mistake.

IN WITNESS WHEREOF each of the parties hereto has executed this Agreement as of the day first above written.

**STATE STREET BANK AND TRUST
COMPANY, as Escrow Agent**

By: *Susan C. Merker*

Name: Susan C. Merker
Title: Vice President

MORAN TOWING CORPORATION

By: _____

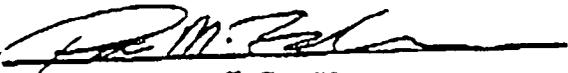
Name:
Title:

U.S. BANCORP LEASING & FINANCIAL

By: _____

Name:
Title:

FLEET BANK, N.A., as Administrative Agent

By: 
Name: PETER M. TISLER
Title: VICE PRESIDENT

ACCEPTED:

MORAN TRANSPORTATION COMPANY

By: _____
Name:
Title:

F:\WPFILES\63307\Security and Application of Funds Agreement.4.wpd

SCHEDULE B

"Demise Charter Transaction Documents" shall mean, with respect to any Demise Charter, such Demise Charter, the Investment and Sale Agreement related thereto, any Guarantee of Moran Transportation executed in connection with such Demise Charter and/or Investment and Sale Agreement, any assignments executed by Moran in connection with such Demise Charter and any other certificates, affidavits, applications, agreements, writings and other documents in any way pertaining to the transaction referred to in such Demise Charter, Investment and Sale Agreement or Guarantee, as any of the foregoing may be amended, supplemented or otherwise modified from time to time.

"Navy Contract" shall mean that certain contract in respect of RFP: N 00033-99-C-1015 on form MSC TUGTIME 97, Contract No. N00033-99-C-1015 (30 Nov. 1998), between Moran and the United States Navy respectively executed by Moran on January 29, 1999 and by the United States Navy on February 1, 1999 as the same may be at any time amended, modified or supplemented and including all extensions and renewals thereof.

"Navy Contract Assignment" shall mean that certain "Assignment of Monies Due or to Become Due under Government Contract", dated as of December 17, 1999 executed by Moran in respect of the Navy Contract in favor of the Escrow Agent as security agent.

"Navy Contract Assignment Notices" shall mean the Notices of Assignment addressed to the Contracting Officer and the Disbursing Officer, respectively, under the Navy Contract, signed by the Escrow Agent and sent to such Officers on or about December 22, 1999 in connection with the Navy Contract Assignment.

"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.

SCHEDULE C

See attached letter.



STATE STREET
Asset Management Division

Frank W. McDonald
Vice President

December 13, 1999

Mr. Jeffrey McAuley
Morris Towing Corporation
Via Fax: 203-625-7857

State Street Bank and Trust Company
of Connecticut, N.A.
Global Investor Services Group
Corporate Trust
Customer Service
200 Boston Street, 20th Floor
Hartford, CT 06183

Telephone: (860) 544-1872
Facsimile: (860) 544-1888
Investor@statestreet.com

Re: Administrative Agent - 6 to 10 mgf

Dear Jeffrey:

State Street Bank and Trust is again pleased to have the opportunity to work with you. This time our role will be to serve as Administrative Agent for 6-10 mgf bonds. Our fees will be quoted in 2 separate ways. The 1st scenario is if we receive 2-3 checks a month and we wire them out to you. The fee for this scenario is as follows:

Acceptance Fee	\$1,000.00
Annual Administration Fee	\$3,000.00

The 2nd scenario is for the check to go to a lockbox and then directly to you. Under this scenario, our fees are as follows:

Acceptance Fee	\$1,000.00
Annual Administration Fee	\$3,000.00
Wire Fees	\$20.00/per wire
Investment Fee (if applicable): (direct investments in treasuries, C/Ds CP, Repo's etc.)	\$65.00 per buy/sell
Sweep Fee (if applicable): (SSGA or selected other Money Market Funds) (State Street's Insured Money Market Account)	40 basis points per annum of the average daily net assets No Charge

Out-of-pocket expenses and counsel fees will be billed at cost in addition to the above. You may send documents to:

If you should have any questions you may contact me at 860/244-1872.

Very truly yours,
Frank W. McDonald
Frank W. McDonald
Vice President

12126793681# 27 9

SENT BY: EINN DIXON & HERLING : 12-28-99 : 11:37AM :
SHIPMANBOODWIN 221
Dec 28 1999 11:03AM



STATE STREET
Investment Management

(Moran Touting - ad)
(Moran Touting - ad)
Page 3
Distribution List

Account Officer

Mike Hopkins
State Street Bank and Trust Company of Connecticut, N.A.
Goodwin Square, 225 Asylum Street, 29th Floor
Hartford, CT 06103
Phone: 860-244-1830
Fax: 860-244-1889
E-mail: mhops@fmg-statestreet.com

Contact

Leslie Devonport
Shipman & Goodwin
One American Row
Hartford, CT 06103
Phone: 860-251-5919
Fax: 860-251-5999
E-mail: ldevport@Goodwin.com

No. 0007 K 2/3
12126793681# 37 3

SENT BY: FLINN DIXON & HERLING : 12-28-99 : 11:37AM
SHIPMAN&GOODWIN LLP
Dec. 28. 1999 11:33AM

Addendum No. 2 to Security and Application of Funds Agreement

This Addendum No. 2 to that certain Security and Application of Funds Agreement dated as of December 17, 1999, dated as of March 27, 2000, by and among "Moran", the "Administrative Agent", the "Escrow Agent", "USB", The CIT Group/Equipment Financing, Inc., a New York corporation ("CIT") , any other Beneficiary which has been previously added as a party to such Agreement (each as defined therein) and as accepted by Moran Transportation Company (said Agreement, as the same may have heretofore been amended, supplemented or otherwise modified from time to time, including, without limitation, by Addendum No. 1 thereto, being hereinafter referred to as the "Agreement").

WITNESSETH:

WHEREAS, CIT wishes to become a Beneficiary under the Agreement by the execution and delivery of this Addendum No. 2 and to obtain the benefits therein provided for, and is willing to observe all of the terms, conditions and provisions of, the Agreement; and

WHEREAS, CIT has entered into that certain Demise Charter ("Demise Charter") of the SUSAN MORAN, Official No. 1094074 (the "Specified Vessel") between CIT as shipowner and Moran as demise charterer and the other Transaction Documents referred to in Schedule A to the Demise Charter.

NOW, THEREFORE, the parties, in consideration of the premises, and the mutual covenants hereinafter contained, and intending to be legally bound, hereby agree as follows:

1. The Escrow Agent agrees to hold such portion of the Escrow Fund (as defined in the Agreement) attributable to the Specified Vessel or its operations subject to and in accordance with the terms of the Agreement as hereby modified. The Specified Vessel shall be a "Demise Charter Vessel" under the Agreement as hereby modified.
2. CIT hereby accepts in all respects the terms and provisions of the Agreement as hereby modified and accepts all duties and responsibilities of a Beneficiary thereunder. CIT shall be a Beneficiary under the Agreement as hereby modified for all purposes.
3. Moran, the Administrative Agent, CIT and any other Beneficiaries heretofore a party to the Agreement and the Escrow Agent, on the terms hereinabove set forth, hereby consent to the addition of CIT as a Beneficiary under the Agreement as hereby modified.
4. The address for the giving of notice to CIT shall be:

Schedule H-2

THE CIT GROUP/EQUIPMENT FINANCING, INC.
1540 West Fountainhead Parkway
Tempe, Arizona 05282

Attention: Mark Saylor
Phone: 480-784-2383
Telecopy: 480-858-1488

with a copy to:

THE CIT GROUP/EQUIPMENT FINANCING, INC.
650 CIT Drive
Livingston, NJ 07039

Attention: Vice President, Credit
Phone: 973-740-5481
Telecopy: 973-740-5148

5. The wire instructions for CIT for purposes of Section 17(i) of the Agreement, are as follows:

Bank of America
ABA #121000358
CIT Group/Equipment Finance
Acct. #1233-5-18855

6. Except as hereinabove modified, the Agreement shall remain in full force and effect.

STATE STREET BANK AND TRUST
COMPANY, as Escrow Agent

By: _____
Name:
Title:

FLEET BANK, N.A., as Administrative agent

By: _____

Name:

Title:

U.S. BANCORP LEASING & FINANCIAL,
as to the vessel MARCI MORAN

By: _____

Name:

Title:

U.S. BANCORP LEASING & FINANCIAL,
as to the vessel KAREN MORAN

By: _____

Name:

Title:

MORAN TOWING CORPORATION

By: _____

Name:

Title:

THE CIT GROUP/EQUIPMENT FINANCING,
INC.

By: _____

Name:

Title:

ACCEPTED:

MORAN TRANSPORTATION COMPANY

By: _____

Name:

Title:

CREDIT AGREEMENT

among

MORAN ENTERPRISES CORPORATION,

as Borrower,

**THE BANKS, FINANCIAL INSTITUTIONS AND
OTHER INSTITUTIONAL LENDERS NAMED HEREIN,**

as Initial Lenders,

FLEET BANK, N.A.,

as Initial Issuing Bank and as Administrative Agent,

NATIONSBANK, N.A.,

as Documentation Agent,

THE INDUSTRIAL BANK OF JAPAN, LIMITED,

as Syndication Agent

and

BANKBOSTON, N.A.,

as Managing Agent

Dated as of October 30, 1998

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CREDIT AGREEMENT

CREDIT AGREEMENT, dated as of October 30, 1998, by and among MORAN ENTERPRISES CORPORATION, a Delaware corporation (the "**Borrower**"), the banks, financial institutions and other institutional lenders listed on the signature pages hereof as the Initial Lenders (the "**Initial Lenders**"), FLEET BANK, N.A., as Initial Issuing Bank (the "**Initial Issuing Bank**") and FLEET BANK, N.A., as administrative agent (together with any successor appointed pursuant to Article 10, the "**Administrative Agent**") for the Lender Parties (as hereinafter defined).

PRELIMINARY STATEMENTS:

(1) Pursuant to the Stock Exchange Agreement dated as of August 31, 1998 (the "**Moran Acquisition Agreement**") by and among the Borrower, Moran Transportation Company, a Delaware corporation ("**Old Moran**"), the Moran Stockholders (as defined below), the Turecamo Entities (as defined below) and the Turecamo Stockholders (as defined below) pursuant to which (i) the Turecamo Stockholders will contribute to the Borrower the shares of Turecamo Stock (as defined in the Moran Acquisition Agreement) held by them in consideration of which the Borrower shall issue to each Turecamo Stockholder shares of Moran Enterprises Common Stock (as such term is defined in the Moran Acquisition Agreement) and pay to each Turecamo Stockholder a certain amount of cash, and (ii) the Moran Stockholders (as defined below) will contribute to the Borrower shares of Moran Stock (as defined in the Moran Acquisition Agreement) held by them in consideration of which the Borrower shall issue to each Moran Stockholder (a) shares of Moran Enterprises Common stock and (b) shares of Moran Enterprises Preferred Stock (as defined in the Moran Acquisition Agreement) (such transaction being hereinafter referred to as the "**Moran Acquisition**").

(2) The Borrower has requested that the Lender Parties (as hereinafter defined) make loans to the Borrower and issue letters of credit having an aggregate principal and face amount at any one time outstanding of up to Two Hundred Million Dollars (\$200,000,000), to be used by the Borrower (i) to finance, in part, the Moran Acquisition, (ii) to pay fees and expenses incurred in connection with the Moran Acquisition, (iii) to redeem in full the Senior Notes, (iv) to finance working capital and capital expenditures and general corporate purposes (including, without limitation, payment of any prepayment premium incurred in connection with the prepayment of the Senior Notes), and the Lender Parties have agreed to make such loans and issue such letters of credit all on and subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

Applicable Margin for Eurodollar Rate Advances

Consolidated Debt to EBITDA Ratio	Revolving Credit Advances and Term A Advances	Term B Advances
Equal to or greater than 3.75 to 1.00	2.75%	3.25%
Less than 3.75 to 1.00 but equal to or greater than 3.50 to 1.00	2.50%	3.00%
Less than 3.50 to 1.00 but equal to or greater than 3.25 to 1.00	2.25%	3.00%
Less than 3.25 to 1.00 but equal to or greater than 3.00 to 1.00	2.00%	3.00%
Less than 3.00 to 1.00	1.75%	2.75%

Applicable Margin for Prime Rate Advances

Consolidated Debt to EBITDA Ratio	Revolving Credit Advances and Term A Advances	Term B Advances
Equal to or greater than 3.75 to 1.00	1.50%	2.00%
Less than 3.75 to 1.00 but equal to or greater than 3.50 to 1.00	1.25%	1.75%
Less than 3.50 to 1.00 but equal to or greater than 3.25 to 1.00	1.00%	1.50%
Less than 3.25 to 1.00 but equal to or greater than 3.00 to 1.00	0.75%	1.50%
Less than 3.00 to 1.00	0.50%	1.50%

The Applicable Margin for each Prime Rate Advance and each Eurodollar Rate Advance shall be determined by reference to the ratio of Consolidated Debt to EBITDA which shall be determined three (3) Business Days after the date on which the Administrative Agent receives financial statements pursuant to Section 7.3 or 7.4 and a certificate of the Chief Financial Officer of the Borrower demonstrating the ratio of Consolidated Debt to EBITDA. If the Borrower has not submitted to the Administrative Agent the information described above as and when required under Section 7.3 or 7.4, as the case may be, the Applicable Margin shall be as determined (as among the

"Borrower/Turecamo Security Agreement" has the meaning specified in Section 3.1(a).

"Borrowing" means a Term A Borrowing, a Term B Borrowing or a Revolving Credit Borrowing.

"Borrowing Base" has the meaning specified in Section 2.17.

"Borrowing Base Certificate" means a certificate in substantially the form of Exhibit B hereto, duly certified, on behalf of the Borrower, by the chief financial officer of the Borrower.

"Borrowing Base Deficiency" means the failure of the Borrowing Base to equal or exceed (i) a. any time prior the Term A Draw Date, the sum of (a) the aggregate principal amount of the Revolving Credit Advances and the Letter of Credit Advances outstanding at such time plus (b) the aggregate Available Amount of all Letters of Credit outstanding at such time; and (ii) at any time on or after the Term A Draw Date, the sum (without duplication) of (a) the aggregate principal amount of the Revolving Credit Advances and the Letter of Credit Advances outstanding at such time, plus (b) the aggregate Available Amount of all Letters of Credit outstanding at such time, plus (c) the aggregate principal amount of the Term A Advances outstanding at such time, plus (d) the aggregate principal amount of the Term B Advances outstanding at such time.

"Business Day" means a day of the year on which banks are not required or authorized by law to close in Boston, Massachusetts and New York, New York and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

"Capital Expenditures" means, for any Person for any period, the sum of all expenditures (including, without limitations, dry dock expenditures) made, directly or indirectly, by such Person or any of its Subsidiaries during such period for the Vessels, Equipment, real property or improvements, other fixed assets or for replacements or substitutions therefor or additions thereto, that have been or should be, in accordance with GAAP, reflected as additions to the Vessels, property, plant or Equipment on a Consolidated balance sheet of such Person.

"Capitalized Leases" means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

"Cash Equivalents" means any of the following, to the extent owned by the Borrower or any of its Subsidiaries, free and clear of all Liens other than Liens created under the Collateral Documents: (a) readily marketable direct obligations of the Government of the United States or any agency or instrumentality thereof or obligations unconditionally guaranteed by the full faith and credit of the Government of the United States having a maturity of not greater than 365 days from the date of issuance thereof, (b) certificates of deposit or bankers acceptances of, or time deposits having a maturity of, not greater than 365 days from the date of issuance thereof with any commercial bank that is a Lender Party or a member of the Federal Reserve System that issues (or

"Commitment" means a Term A Commitment, a Term B Commitment, a Revolving Credit Commitment or a Letter of Credit Commitment.

"Compensation Payments" has the meaning specified in Section 6.19.

"Compliance Certificate" with respect to the Borrower and its Subsidiaries, a certificate to the effect that: (a) as of the effective date of the certificate, and except as may be disclosed in such certificate, no Default or Event of Default under this Agreement exists or would exist immediately after giving effect to the action intended to be taken by any Loan Party, as described in such certificate, including, without limitation, that the covenants set forth in Article 8 hereof would not be breached after giving effect to such action, together with a calculation in reasonable detail, and in form satisfactory to the Administrative Agent, of such compliance, and (b) as of the effective date of the certificate, and except as may be disclosed in such certificate, the representations and warranties contained in Article 4 hereof are true in all material respects and with the same effect as though such representations and warranties were made on the date of such certificate, unless stated to relate to a specific earlier date in which case such specified representations and warranties shall be true and correct as of such earlier date, and, except for representations and warranties which are no longer true as a result of a transaction expressly permitted hereby, which certificate shall be executed and delivered on behalf of the Borrower by the chief financial officer of the Borrower.

"Confidential Information" means financial statements, agreements, reports, certificates and other information that the Borrower or any of its Subsidiaries, or any of their agents, furnishes to the Administrative Agent or any Lender Party in a writing designated as confidential (but including, regardless of whether or not so designated, any information relating to (i) the economic and legal (including contractual) arrangements between (a) the Borrower and its Subsidiaries and (b) their customers, (ii) details with respect to cast information of the Borrower and its Subsidiaries, and (iii) acquisition and other investment opportunities available to the Borrower and its Subsidiaries), but does not include any such information that is or becomes generally available to the public other than as a result of a breach by the Administrative Agent or any Lender Party of its obligations hereunder or that is or becomes available to the Administrative Agent or such Lender Party from a source other than the Borrower that is not, to the best of the Administrative Agent's or such Lender Party's knowledge, acting in violation of a confidentiality agreement with the Borrower or any of its Subsidiaries.

"Consolidated" refers to the consolidation of accounts, in accordance with GAAP, of any Person and all of its Subsidiaries, and if not specified, the Borrower and all of its Subsidiaries.

"Consolidated Debt to EBITDA" means, for any fiscal quarter of the Borrower, a ratio of (a) Debt of the Borrower and its Subsidiaries as at the end of such fiscal quarter to (b) EBITDA for the most recently completed four fiscal quarters of the Borrower and its Subsidiaries.

"Conversion", "Convert" and "Converted" each refer to a conversion of Advances of one Type into Advances of the other Type pursuant to Section 2.9 or 2.10.

funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (D) otherwise to assure a creditor against loss; and

(j) all Debt referred to in clauses (a) through (i) above of another Person secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts, contract rights or inventory) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt.

The definition of "Debt" shall not include (i) any indebtedness of the Garbage Subsidiary (or any Subsidiary of the Garbage Subsidiary), (ii) any deferred liability with respect to the possible termination of the contract between one or more of the Turecamo Entities and Mobil Oil Corporation with respect to the barge Iroquois, or (iii) the financing of insurance premiums.

"Debt Issuance" means any issuance or sale or other incurrence by the Borrower or any of its Subsidiaries (excluding the Garbage Subsidiary or any Subsidiary of the Garbage Subsidiary) of any Debt; provided, however, that for purposes of determination of Net Cash Proceeds under Section 2.6(b)(iii), the term "Debt Issuance" shall not include the incurrence of Debt permitted under Section 6.2.

"Default" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"Defaulted Advance" means, with respect to any Lender Party at any time, the portion of any Advance required to be made by such Lender Party to the Borrower pursuant to Section 2.1 or 2.2 at or prior to such time which has not been made by such Lender Party or by the Administrative Agent for the account of such Lender Party pursuant to Section 2.2(d) as of such time. In the event that a portion of a Defaulted Advance shall be deemed made pursuant to Section 2.15(a), the remaining portion of such Defaulted Advance shall be considered a Defaulted Advance originally required to be made pursuant to Section 2.1 on the same date as the Defaulted Advance so deemed made in part.

"Defaulted Amount" means, with respect to any Lender Party at any time, any amount required to be paid by such Lender Party to the Administrative Agent or any other Lender Party hereunder or under any other Loan Document at or prior to such time which has not been so paid as of such time, including, without limitation, any amount required to be paid by such Lender Party to (a) the Issuing Bank pursuant to Section 2.3(c) to purchase a portion of a Letter of Credit Advance made by the Issuing Bank, (b) the Administrative Agent pursuant to Section 2.2(d) to reimburse the Administrative Agent for the amount of any Advance made by the Administrative Agent for the account of such Lender Party, (c) any other Lender Party pursuant to Section 2.13 to purchase any participation in Advances owing to such other Lender Party and (d) the Administrative Agent or the Issuing Bank pursuant to Section 10.5 to reimburse the Administrative Agent or the Issuing Bank

if requested by the Borrower to be included in the computation of EBITDA, the pro forma effect (i.e. assuming that the applicable acquisition was consummated at the beginning of such period) on EBITDA for such period of any stock (or other applicable equity interest) or asset acquisition permitted hereunder consummated by the Borrower or any of its Subsidiaries during the most recent twelve month period preceding the date of determination, but solely for the number of months immediately preceding the consummation of the applicable acquisition, which number equals twelve (12) less the number of months following the consummation of the applicable acquisition to such date of determination (as reflected in the audited financial statements covering the applicable target company (or applicable business thereof), prepared by an independent certified public accountant of recognized national standing acceptable to the Administrative Agent, or if such audited financial statements are not available, then at the request of the Administrative Agent, as reflected in financial statements covering such company (or business), examined by an independent certified public accountant of recognized national standing acceptable to the Administrative Agent), plus (C) if requested by the Borrower to be included in the computation of EBITDA, the projected EBITDA for such period with respect to any proposed acquisition or construction of a new Vessel by the Borrower or any of its Subsidiaries for which an executed written contract has been delivered to the Administrative Agent, which contract is reasonably satisfactory to the Administrative Agent (but in any event not to exceed (in the case of this clause (C)) \$3,000,000 in the aggregate during any period of twelve (12) consecutive months).

"Eligible Assignee" means with respect to any Facility (other than the Letter of Credit Facility), (a) a Lender; (b) an Affiliate of a Lender; and (c) subject to the prior approval of the Administrative Agent and, so long as no Event of Default shall have occurred and be continuing, the Borrower, such approval by the Administrative Agent or the Borrower not to be unreasonably withheld or delayed, (i) a commercial bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$500,000,000; (ii) a savings and loan association or savings bank organized under the laws of the United States, or any State thereof, and having total assets in excess of \$500,000,000; (iii) a commercial bank organized under the laws of any other country that is a member of the OECD or has concluded special lending arrangements with the International Monetary Fund associated with its General Arrangements to Borrow or of the Cayman Islands, or a political subdivision of any such country, and having total assets in excess of \$500,000,000, so long as such bank is acting through a branch or agency located in the United States; (iv) the central bank of any country that is a member of the OECD; and (v) a finance company, insurance company or other financial institution or fund (whether a corporation, partnership, trust or other entity) that is engaged in making, purchasing or otherwise investing in commercial loans (of a size similar to the Advances) in the ordinary course of its business and having total assets in excess of \$500,000,000; and, with respect to the Letter of Credit Facility, a Person that is an Eligible Assignee under subclause (i) or (iii) of clause (C) of this definition and is approved by the Administrative Agent and the Borrower, such approval by the Administrative Agent or the Borrower not to be unreasonably withheld or delayed; provided, however, that no Loan Party or Affiliate of a Loan Party shall qualify as an Eligible Assignee under this definition; provided, further, however, that no Person shall be an Eligible Assignee who is not a Coastwise Citizen if the

that are payable in Dollars; and (i) that are not secured by a letter of credit unless the Administrative Agent has a prior perfected security interest in such letter of credit.

"Environmental Action" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, any Environmental Permit or Hazardous Material or arising from alleged injury or threat to public health and safety or the environment, including, without limitation, (a) by any governmental or regulatory authority or third party for enforcement, cleanup, Removal, Response, Remedial or other actions or damages and (b) by any governmental or regulatory authority or third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"Environmental Law" means any international or transnational law, federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, writ, judgment, injunction, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, threatened release, release or discharge of Hazardous Materials.

"Environmental Permit" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"Equipment" has the meaning specified in Section 1(a) of the Security Agreement.

"Equity Issuance" means any issuance or sale by the Borrower or any of its Subsidiaries, on or after the date hereof, of its capital stock or other equity securities or any obligations convertible into or exchangeable for, or giving any Person a right, option or warrant to acquire such stock, securities or such convertible or exchangeable obligations; provided, however, that for purposes of Section 2.6(b)(iii), the term "Equity Issuance" shall not include any issuance or sale of (a) capital stock of the Borrower issued on or before the Closing Date in connection with the Moran Acquisition; (b) preferred and common stock of the Borrower issued to any director of the Borrower required by applicable law in connection with such Person acting in such capacity; (c) preferred and common stock of the Borrower issued to management, directors and employees of the Borrower or its Subsidiaries, respectively, pursuant to any stock option plan not prohibited hereunder or the exercise of options issued pursuant thereto; (d) any capital stock of any Subsidiary of the Borrower issued to the Borrower or any other Subsidiary of the Borrower; and (e) any preferred stock of the Borrower issued pursuant to Section 7(c)(ii)(B) of the Moran Acquisition Agreement.

"Equity Interests", means, in any Person, any and all shares, interests, participations, rights or other equivalents (however designated) of any capital stock or other ownership of any profit interest, and any and all warrants, rights, options, obligations or other securities of or in such Person, and rights to acquire any of the foregoing, including, without limitation, partnership interests and joint venture (whether general or limited) and any other interest or participation that confers on a

(h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, such Plan.

"Eurocurrency Liabilities" has the meaning specified in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Lending Office" means, with respect to any Lender Party, the office of such Lender Party specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender Party (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender Party as such Lender Party may from time to time specify to the Borrower and the Administrative Agent.

"Eurodollar Rate" means, for any Interest Period for all Eurodollar Rate Advances comprising part of the same Borrowing, an interest rate per annum (rounded upward, if necessary, to the nearest 1/32 of one percent) as determined on the basis of the offered rates for deposits in U.S. dollars, for a period of time comparable to such Interest Period which appears on the Telerate Page 3750 as of 11:00 a.m. (London) two (2) Business Days before the first day of such Interest Period; provided, however, that if the rate described above does not appear on the Telerate System on any applicable interest determination date, the Eurodollar Rate shall be the rate (rounded upward as described above, if necessary) for deposits in U.S. dollars for a period substantially equal to the interest period on the Reuters Page "LIBO" (or such other page as may replace the LIBO page on that service for the purpose of displaying such rates), as of 11:00 a.m. (London time) two (2) Business Days before the first day of such Interest Period.

If both the Telerate and Reuters system are unavailable, then the rate for that date will be determined on the basis of the offered rates for deposits in U.S. dollars for a period of time comparable to such Interest Period which are offered by four major banks in the London interbank market at approximately 11:00 a.m. (London) two (2) Business Days before the first day of such Interest Period as selected by the Administrative Agent. The principal London office of each of the four major London banks will be requested to provide a quotation of its U.S. dollar deposit offered rate. If at least two such quotations are provided, the rate for that date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that date will be determined on the basis of the rates quoted for loans in U.S. dollars to leading European banks for a period of time comparable to such Interest Period offered by major banks in New York City at approximately 11:00 a.m. (New York time) two (2) Business Days before the first day of such Interest Period. In the event that the Administrative Agent is unable to obtain any such quotation as provided above, it will be deemed that the Eurodollar Rate for such Interest Rate cannot be determined.

In the event that the Board of Governors of the Federal Reserve System shall impose, with respect to any Interest Period, a Eurodollar Rate Reserve Percentage with respect to Eurocurrency

claims; provided, however, that an Extraordinary Receipt shall not include cash receipts received from proceeds of insurance, condemnation awards (and payments in lieu thereof) or indemnity payments to the extent that such proceeds, awards or payments (a) in respect of loss or damage to Vessels, Equipment, fixed assets or real property are applied (or in respect of which expenditures were previously incurred) to replace or repair the Vessels, Equipment, fixed assets or real property in respect of which such proceeds, awards or payments were received in accordance with the terms of the Loan Documents, so long as such application, or commitment to make such application, is made within twelve (12) months after the occurrence of such damage or loss; (b) are received by any Person in respect of any third party claim against such Person and applied to pay (or to reimburse such Person for its prior payment of) such claim and the costs and expenses of such Person with respect thereto; or (c) prior to the Term A Draw Date, in respect of loss or damage to Vessels that are subject to a mortgage pursuant to the Senior Note Indenture are applied (or in respect of which expenditures were previously incurred) in accordance with the Senior Note Indenture.

"Facility" means the Term A Facility, the Term B Facility, the Revolving Credit Facility or the Letter of Credit Facility.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Fiscal Year" means a fiscal year of the Borrower and its Consolidated Subsidiaries ending on December 31 in any calendar year.

"Fixed Charge Coverage Ratio" means, with respect to any period, a ratio of (a) EBITDA of the Borrower and the Guarantors for such period less the sum of (1) Maintenance Capital Expenditures made in cash by the Borrower and its Subsidiaries during such period, and (2) the aggregate amount of federal, state, local and foreign income taxes paid in cash by the Borrower and its Subsidiaries during such period, to (b) the sum of (1) Consolidated cash Interest Expense payable by the Borrower and its Subsidiaries during such period, and (2) scheduled principal amounts of all Debt payable by the Borrower and its Subsidiaries during such period (other than the Senior Notes Redemption Payments).

"Fleet" means Fleet Bank, N.A. in its capacity as a Lender or Issuing Bank.

"Foreign Subsidiary" means any Subsidiary organized under the laws of any jurisdiction other than the United States of America or any State thereof.

than the Old Moran Collateral) of the Old Moran Entities, which security interests, liens and mortgages were created and granted under and pursuant to the Senior Notes Documents.

"Information Memorandum" means the information memorandum, dated October, 1998, delivered by the Administrative Agent to the Lenders.

"Initial Extension of Credit" means the earlier to occur of the initial Borrowing and the initial issuance of a Letter of Credit.

"Initial Issuing Bank" has the meaning specified in the recital of parties to this Agreement.

"Initial Lenders" has the meaning specified in the recital of parties to this Agreement.

"Initial Turecamo Stockholders" means each of the holders of the Turecamo Stock as at the Closing Date (or otherwise immediately prior to the consummation of the Moran Acquisition) who, pursuant to the terms of the Moran Acquisition Agreement, received as compensation, among other things certain number of shares of the common stock of the Borrower.

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

"Insurance Assignment" and **"Insurance Assignments"** has the meaning specified in Section 3.1(a).

"Intellectual Property Security Agreement" has the meaning specified in Section 3.1(a).

"Interest Expense" means, with respect to any Person for any period, interest expense on all Debt of such Person for such period, determined on a Consolidated basis for such Person and its Subsidiaries and in accordance with GAAP, and including, without limitation, but without duplication, (a) in the case of the Borrower, interest expense in respect of Debt resulting from Advances, (b) the interest component of all obligations under Capitalized Leases, (c) commissions, discounts and other fees and charges payable in connection with letters of credit (including, without limitation, Letters of Credit), and (d) all fees paid by the Borrower pursuant to Section 2.8(a).

"Interest Period" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Prime Rate Advance into such Eurodollar Rate Advance, and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as the Borrower may, upon notice received by the Administrative Agent not later than 11:00 A.M. (New York time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

"Investment Capital Expenditures" means Capital Expenditures but only to the extent such Capital Expenditures constitute expenditures for the purchase or construction (including, without limitation, reasonable construction costs) of new Vessels but excluding dry dock expenditures; provided, that Capital Expenditures shall not include (i) capital expenditures to the extent that such expenditures constitute a reinvestment of Net Cash Proceeds from any Asset Disposition not prohibited by this Agreement in, or the investment of casualty insurance or condemnation proceeds in, Vessels, (ii) the Garbage Investment and/or any capital expenditures made by the Garbage Subsidiary or any Subsidiary owned by the Garbage Subsidiary, (iii) any capital expenditures made to purchase the barge named "Portsmouth" (Official No. 1047057), or (iv) any Investment incurred under Section 6.6(k).

"Issuing Bank" means the Initial Issuing Bank and each Eligible Assignee to which Letter of Credit Commitment hereunder has been assigned pursuant to Section 11.7.

"Lakes Transfer Group" means (a) any member(s) of the Lakes Group, (b) any Subsidiary of such member, (c) any Person who is in the immediate family of any such member, and (d) any trust(s) for the benefit of any Person(s) referred to in clauses (a) or (c) of this definition.

"Lakes Group" means Lakes Shipping Company, Inc., James R. Barker and members of his immediate family and Paul R. Tregurtha and members of his immediate family.

"L/C Cash Collateral Account" has the meaning specified in the Security Agreement.

"L/C Related Documents" has the meaning specified in Section 2.4(e)(ii)(A).

"Lender Party" means any Lender or the Issuing Bank.

"Lenders" means the Initial Lenders and each Person that shall become a Lender hereunder pursuant to Section 11.7.

"Letter of Credit" means any Letter of Credit issued hereunder (as specified in Section 2.3(a)).

"Letter of Credit Advance" means an advance made by the Issuing Bank or any Revolving Credit Lender pursuant to Section 2.3(c).

"Letter of Credit Agreement" has the meaning specified in Section 2.3(a).

"Letter of Credit Commitment" means, with respect to the Issuing Bank, the amount set forth opposite the Issuing Bank's name on Schedule I hereto under the caption "Letter of Credit Commitment" or, if the Issuing Bank has entered into one or more Assignments and Acceptances, set forth for the Issuing Bank in the Register maintained by the Administrative Agent pursuant to

"Moran Acquisition Documents" means the Moran Acquisition Agreement and all schedules and exhibits related thereto.

"Moran Acquisition Purchase Price" means the aggregate purchase price payable by the Borrower under the Moran Acquisition Agreement.

"Moran Individuals" means Malcolm W. McLeod, Edmond J. Moran, Jr., Alan L. Marchisotto, and any officers and employees of the Borrower or its Subsidiaries.

"Moran Insurance" means Moran Insurance Company Limited, a Bermuda corporation.

"Moran Stockholders" has the meaning given that term in the Moran Acquisition Agreement.

"Mortgaged Vessel" means each Vessel registered with the United States Coast Guard subject to a Preferred Ship Mortgage granted to the Administrative Agent for the benefit of the Secured Parties.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which any Loan Party or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of any Loan Party or any ERISA Affiliate and at least one Person other than the Loan Parties and the ERISA Affiliates or (b) was so maintained and in respect of which any Loan Party or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Cash Proceeds" means, with respect to any sale, lease, transfer or other disposition of any asset or any Debt Issuance or Equity Issuance by any Person, or any Extraordinary Receipt received by or paid to or for the account of any Person, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) by or on behalf of such Person in connection with such transaction after deducting therefrom only (without duplication) (a) reasonable and customary brokerage commissions, investment banking fees, underwriting fees and discounts, legal fees, accounting fees, finder's fees and other similar out-of-pocket costs, (b) the amount of taxes paid or payable in connection with or as a result of such transaction and (c) with respect to any asset, the amount of any Debt secured by a Lien on such asset that, by the terms of such transaction, is repaid upon such disposition, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of such Person or any Loan Party or any Affiliate of any Loan Party and are properly attributable to such transaction or to the asset that is the subject thereof.

- (d) Seaboard Barge Corporation, a Delaware corporation;
- (e) Petroleum Transport Corporation, a Delaware corporation;
- (f) Moran Towing of Delaware, Inc., a Delaware corporation;
- (g) Moran Services Corporation, a Delaware corporation;
- (h) Moran Shipyard Corporation, a New York corporation;
- (i) Hampton Roads Land Co., Inc., a Delaware corporation;
- (j) Portsmouth Navigation Corporation, a New Hampshire corporation;
- (k) Jakobson Shipyard, Inc., a New York corporation;
- (l) Moran Barge Corp., a Delaware corporation;
- (m) Moran Insurance;
- (n) Curtis Bay Towing Company of Pennsylvania, a Pennsylvania corporation;
- (o) Curtis Bay Towing Company of Virginia, a Virginia Corporation;
- (p) Florida Towing Company, a Florida corporation; and
- (q) MCF Subsidiary, Inc., a Delaware corporation.

"Old Moran Security Agreement" has the meaning specified in Section 3.1(a).

"Open Year" has the meaning specified in Section 4.16.

"Other Taxes" has the meaning specified in Section 2.12(b).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"Permitted Liens" means any of the following: (a) Liens for taxes, assessments and governmental charges or levies (i) not yet due and payable or (ii) that are due and payable and that are being contested in good faith and by appropriate proceedings diligently conducted, provided that in the case of Liens under this clause (ii), reserves or other appropriate provisions shall have been established therefor in accordance with GAAP (or, in the case of a Foreign Subsidiary, the equivalent of GAAP); (b) Liens imposed by law, such as materialmen's, vendor's, mechanics', carriers', landlord's, vendors, workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that are not overdue for a period of more than sixty (60) days or which are being contested in good faith and by appropriate proceedings diligently conducted, provided that reserves or other appropriate provisions shall have been established therefor in accordance with GAAP (or, in the case of a Foreign Subsidiary, the equivalent of GAAP); (c) pledges or deposits to secure (i) obligations under workers' compensation laws, unemployment insurance, pension, social security or similar legislation or to secure public or statutory obligations (ii) liability to insurance carriers or clubs under insurance or self-insurance arrangements, (iii) the performance of bids, tenders, trade contracts, leases, surety and appeal bonds, performance bonds, and other obligations of a like nature, and (iv) fuel hedging obligations; (d) Permitted Real Property Encumbrances; (e) the Indenture Liens; (f) Liens permitted under the Preferred Ship Mortgages and, with respect to the Vessels covered by the Indenture Liens, the Ship Mortgages (as defined in the Senior Notes Indenture); and (g) rights of the United States Government to requisition any of the Vessels. Notwithstanding the foregoing in clause (e) above, at such time when the Senior Notes are

"Put Payments" has the meaning specified in Section 6.7(e).

"Receivables" means all Receivables referred to in the Security Agreement.

"Reduction Amount" has the meaning specified in Section 2.6(b)(v).

"Register" has the meaning specified in Section 11.7(d).

"Regulation T" means Regulation T of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Regulatory Authority" means any federal, state, local or other U.S. or foreign governmental authority, bureau or agency.

"Release" means any release, spill, emission, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment (including the abandonment or discarding of barrels, containers and other closed receptacles containing any Hazardous Materials) or into or from any property, including, without limitation, the movement of any Hazardous Materials through the air, soil, surface waters or ground water.

"Remedial" shall have the meaning as set forth in CERCLA at 42 U.S.C. § 9601(24) and/or any other applicable Environmental Laws.

"Removal" shall have the meaning as set forth in CERCLA at 42 U.S.C. § 9601(23) and/or any other applicable Environmental Laws.

"Required Lenders" means at any time the Lenders owed or holding greater than 66-2/3% of the sum of (a) the aggregate principal amount of the Advances outstanding at such time and (b) the aggregate Available Amount of all Letters of Credit outstanding at such time, or, if no such principal amount and no Letters of Credit are outstanding at such time, the Administrative Agent and the Lenders holding greater than 51% of the aggregate of the Term A Commitments, Term B Commitments and Revolving Credit Commitments; provided, however, that if any Lender shall be a Defaulting Lender at such time, there shall be excluded from the determination of Required Lenders at such time (i) the aggregate principal amount of the Advances owing to such Lender (in its capacity as a Lender) and outstanding at such time, and (ii) the aggregate Term A Commitment, Term B Commitment and Revolving Credit Commitment of such Lender at such time. For purposes of this definition, the aggregate principal amount of Letter of Credit Advances owing to the Issuing

"Secured Parties" means the Administrative Agent, the Lender Parties, and the Hedge Banks and the other Persons the Obligations owing to which are or are purported to be secured by the Collateral under the terms of the Collateral Documents.

"Security Agreement" has the meaning specified in Section 3.1(a) and, for purposes of this definition, Security Agreement shall also include each of the Old Moran Security Agreement and the Borrower/Turecamo Security Agreement.

"Senior Notes Redemption Payments" means the principal amount payable in respect of the Senior Notes to redeem such Senior Notes.

"Senior Notes" means Old Moran's 11-3/4% First Preferred Ship Mortgage Notes due 2004 issued under and pursuant to the Senior Notes Indenture.

"Senior Notes Documents" means, collectively, the Senior Notes, the Senior Notes Indenture, the preferred ship mortgages granted on vessels in connection therewith, and any other documents, agreements and instruments executed and delivered by the parties thereto in connection therewith, in each case, as amended, supplemented or otherwise modified from time to time.

"Senior Notes Indenture" means the Indenture dated as of July 11, 1994, by and between Old Moran, the guarantors a party thereto, and State Street Bank & Trust Company (as successor to Shawmut Bank Connecticut, National Association) as trustee, executed and delivered by the parties thereto in connection with the issuance of the Senior Notes, as amended, supplemented or otherwise modified.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of any Loan Party or any ERISA Affiliate and no Person other than the Loan Parties and the ERISA Affiliates or (b) was so maintained and in respect of which any Loan Party or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"Solvent" and **"Solvency"** mean, with respect to any Person on a particular date, that on such date (a) the fair value of the assets of such Person (on a going-concern basis) is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person (on a going-concern basis) is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can

"Term A Lender" means any Lender that has a Term A Commitment.

"Term A Note" means a promissory note of the Borrower payable to the order of any Term A Lender, in substantially the form of Exhibit D hereto, evidencing the indebtedness of the Borrower to such Lender resulting from the Term A Advance made by such Lender.

"Term B Advance" has the meaning specified in Section 2.1(b).

"Term B Borrowing" means a borrowing consisting of simultaneous Term B Advances of the same Type made by the Term B Lenders.

"Term B Commitment" means, with respect to any Term B Lender at any time, the amount set forth opposite such Lender's name on Schedule I hereto under the caption "Term B Commitment" or, if such Lender has entered into one or more Assignments and Acceptances, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 11.7 as such Lender's "Term B Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.5. The initial aggregate amount of the Term B Lenders' Commitments is \$80,000,000.

"Term B Facility" means, at any time, the aggregate amount of the Term B Lenders' Term B Commitments at such time.

"Term B Lender" means any Lender that has a Term B Commitment.

"Term B Note" means a promissory note of the Borrower payable to the order of any Term B Lender, in substantially the form of Exhibit E hereto, evidencing the indebtedness of the Borrower to such Lender resulting from the Term B Advance made by such Lender.

"Term Facilities" means the Term A Facility and the Term B Facility.

"Termination Date" means the date of termination in whole of the Commitments pursuant to Section 2.5 or Article 9.

"TES" means Turecamo Environmental Services, Inc., a Delaware corporation.

"TOS" means Turecamo of Savannah, Inc., a Georgia corporation.

"Trade Letter of Credit" means any Letter of Credit that is issued for the benefit of a supplier of Inventory to the Borrower or any of its Subsidiaries to effect payment for such Inventory, the conditions to drawing under which include the presentation to the Issuing Bank of negotiable bills of lading, invoices and related documents sufficient, in the judgment of the Issuing Bank, to create a valid and perfected lien on or security interest in such Inventory, bills of lading, invoices and related documents in favor of the Issuing Bank.

for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"Welfare Plan" means a welfare plan, as defined in Section 3(1) of ERISA, that is maintained for employees of any Loan Party or in respect of which any Loan Party could have liability.

"White Stack" means White Stack Maritime Corp., a Delaware corporation.

"Wholly-Owned Subsidiary" of any Person means a Subsidiary of such Person all of the outstanding Equity Interests of which shall at the time be owned by such Person or by one or more Wholly-Owned Subsidiaries of that Person or a combination thereof.

"Withdrawal Liabilities" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

Section 1.2 Computation of Time Periods. In this Agreement in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.3 Accounting Terms.

(a) For purposes of this Agreement, all accounting terms not otherwise defined herein shall have the meanings assigned to such terms in conformity with GAAP. Financial statements and other information furnished to Lender pursuant to Article 7 shall be prepared in accordance with GAAP (as in effect at the time of such preparation) on a consistent basis. In the event any "Accounting Changes" (as defined below) shall occur and such changes affect financial covenants, standards or terms in this Agreement, then the Borrower and the Lenders agree to enter into negotiations in order to amend such provisions of this Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of the Borrower shall be the same after such Accounting Changes as if such Accounting Changes had not been made, and until such time as such an amendment shall have been executed and delivered by the Borrower and the Lenders, (a) all financial covenants, standards and terms in this Agreement shall be calculated and/or construed as if such Accounting Changes had not been made, and (b) the Borrower shall prepare footnotes to each Compliance Certificate and the financial statements required to be delivered hereunder that show the differences between the financial statements delivered (which reflect such Accounting Changes) and the basis for calculating financial covenant compliance (without reflecting such Accounting Changes). **"Accounting Changes"** means: (a) changes in accounting principles required by GAAP and implemented by Borrower; (b) changes in accounting principles recommended by Borrower's certified public accountants; and (c) changes in carrying value of the Borrower's or any of its Subsidiaries' assets, liabilities or equity accounts resulting from adjustments that, in each case, were applicable to, but not included in, the

Borrower on the Closing Date in an amount equal to such Lender's Term B Commitment at such time. The Term B Borrowing shall consist of Term B Advances made simultaneously by the Term B Lenders ratably according to their Term B Commitments. Amounts borrowed under this Section 2.1(b) and repaid or prepaid may not be reborrowed.

(c) **The Revolving Credit Advances.** Each Revolving Credit Lender severally agrees, on the terms and conditions hereinafter set forth, to make advances (each a "Revolving Credit Advance") to the Borrower from time to time on any Business Day during the period from the date hereof until the Revolving Credit Termination Date in an amount for each such Advance not to exceed such Lender's Unused Revolving Credit Commitment at such time; provided, however, that no Revolving Credit Lender shall have any obligation to make a Revolving Credit Advance under this Section 2.1(c) to the extent such Revolving Credit Advance would (after giving effect to any immediate application of the proceeds thereof) exceed the Unused Availability. Each Revolving Credit Borrowing shall be in an aggregate amount of \$500,000 or an integral multiple of \$100,000 (other than, in each case, a Borrowing the proceeds of which shall be used solely to repay or prepay in full outstanding Letter of Credit Advances) and shall consist of Revolving Credit Advances made simultaneously by the Revolving Credit Lenders ratably according to their Revolving Credit Commitments. Within the limits of each Revolving Credit Lender's Unused Revolving Credit Commitment in effect from time to time, the Borrower may borrow, repay and reborrow Revolving Credit Advances.

(d) **Letters of Credit.** The Issuing Bank agrees, on the terms and conditions hereinafter set forth, to issue letters of credit for the account of the Borrower (or any Subsidiary of the Borrower provided, that, for purposes of the Borrower's reimbursement and other obligations hereunder with respect to any Letter of Credit issued for the account of a Subsidiary, the Borrower shall be considered the account party) from time to time on any Business Day during the period from the Closing Date until sixty (60) days before the Revolving Credit Termination Date (i) in an aggregate Available Amount for all Letters of Credit not to exceed at any time the Issuing Bank's Letter of Credit Commitment at such time and (ii) in an Available Amount for each such Letter of Credit not to exceed (after giving effect to any immediate application of the proceeds thereof) the Unused Availability. No Letter of Credit shall have an expiration date (including all rights of the Borrower or the beneficiary to require renewal) later than (A) the earlier of sixty (60) days before the Revolving Credit Termination Date, (B) in the case of a Standby Letter of Credit, 365 days after the date of issuance thereof and (C) in the case of a Trade Letter of Credit, 180 days after the date of issuance thereof. The foregoing notwithstanding, any Standby Letter of Credit may, by its terms, be renewable annually upon fulfillment of the applicable conditions set forth in Article 3 unless such Issuing Bank shall have notified the Borrower (with a copy to the Administrative Agent) on or prior to the date for notice of termination set forth in such Letter of Credit (but in any event at least sixty (60) Business Days prior to the date of automatic renewal) of its election not to renew such Standby Letter of Credit (a "Notice of Termination"); provided that the terms of each Standby Letter of Credit that is automatically renewable annually shall not permit the expiration date (after giving effect to any renewal) of such Standby Letter of Credit in any event to be extended to a date later than sixty (60) days before the Revolving Credit Termination Date. If a Notice of Termination is

specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article 3, including, without limitation, any loss (including loss of anticipated profits as reasonably determined by such Lender), cost or expense incurred by reason of the liquidation or redeployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(d) Unless the Administrative Agent shall have received notice from an appropriate Lender prior to the date of any Borrowing under a Facility under which such Lender has a Commitment that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in accordance with subsection (a) or (b) of this Section 2.2 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay or pay to the Administrative Agent forthwith on demand such corresponding amount and to pay interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid or paid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at such time under Section 2.7 to Advances comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall pay to the Administrative Agent such corresponding amount, such amount so paid shall constitute such Lender's Advance as part of such Borrowing for all purposes.

(e) The failure of any Lender to make the Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing.

Section 2.3 Issuance of and Drawings and Reimbursement Under Letters of Credit.

(a) **Request for Issuance.** Each Letter of Credit shall be issued upon notice, given not later than 11:00 A.M. (New York time) on the fifth Business Day prior to the date of the proposed issuance of such Letter of Credit, by the Borrower to the Issuing Bank, which shall give to the Administrative Agent and each Revolving Credit Lender prompt notice thereof by telex or telecopier. Each such notice of issuance of a Letter of Credit (a "**Notice of Issuance**") shall be by telephone, confirmed immediately in writing, or telex or telecopier, specifying therein the requested (i) date of such issuance (which shall be a Business Day), (ii) Available Amount of such Letter of Credit, (iii) expiration date of such Letter of Credit, (iv) name and address of the beneficiary of such Letter of Credit and (v) form of such Letter of Credit, and shall be accompanied by such application and agreement for letter of credit as the Issuing Bank may specify to the Borrower for use in connection with such requested Letter of Credit (a "**Letter of Credit Agreement**"). If the requested form of such Letter of Credit is acceptable to the Issuing Bank, in its sole discretion, the Issuing Bank will, upon fulfillment of the applicable conditions set forth in Article 3, make such Letter of

agrees to pay to the Administrative Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by the Issuing Bank until the date such amount is paid to the Administrative Agent, at the Federal Funds Rate for its account or the account of the Issuing Bank, as applicable. If such Lender shall pay to the Administrative Agent such amount for the account of the Issuing Bank on any Business Day, such amount so paid in respect of principal shall constitute a Letter of Credit Advance made by such Lender on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Letter of Credit Advance made by the Issuing Bank shall be reduced by such amount on such Business Day.

(d) **Failure to Make Letter of Credit Advances.** The failure of any Lender to make any Letter of Credit Advance to be made by it on the date specified in Section 2.3(c) shall not relieve any other Lender of its obligation hereunder to make its Letter of Credit Advance on such date, but no Lender shall be responsible for the failure of any other Lender to make the Letter of Credit Advance to be made by such other Lender on such date.

Section 2.4 Repayment of Advances.

(a) **Term A Advances.** If any amounts are borrowed under Section 2.1(a), then the Borrower shall repay to the Administrative Agent for the ratable account of the Term A Lenders the aggregate outstanding principal amount of the Term A Advances on the following dates in the amounts indicated (which amounts shall be reduced as a result of the application of prepayments in accordance with the order of priority set forth in Section 2.6):

<u>Date</u>	<u>Amounts</u>
September 30, 1999	\$2,500,000
December 31, 1999	\$2,500,000*
March 31, 2000	\$2,500,000
June 30, 2000	\$2,500,000
September 30, 2000	\$3,125,000
December 31, 2000	\$3,125,000
March 31, 2001	\$3,125,000

* In the event that the Term A Draw Date occurs on or after September 30, 1999 (but prior to the Term A Facility Termination Date), the \$2,500,000 payment which would have been payable on September 30, 1999 shall be added to the payment due on December 31, 1999, and thus, the principal amount of the Term A Advance due on December 31, 1999 shall be \$5,000,000.

Date	Amounts
June 30, 2000	\$ 200,000
September 30, 2000	\$ 200,000
December 31, 2000	\$ 200,000
March 31, 2001	\$ 200,000
June 30, 2001	\$ 200,000
September 30, 2001	\$ 200,000
December 31, 2001	\$ 200,000
March 31, 2002	\$ 200,000
June 30, 2002	\$ 200,000
September 30, 2002	\$ 200,000
December 31, 2002	\$ 200,000
March 31, 2003	\$ 200,000
June 30, 2003	\$ 200,000
September 30, 2003	\$ 200,000
December 31, 2003	\$ 200,000
March 31, 2004	\$ 200,000
June 30, 2004	\$ 200,000
September 30, 2004	\$ 200,000
December 31, 2004	\$ 200,000
March 31, 2005	\$ 6,250,000
June 30, 2005	\$ 6,250,000
September 30, 2005	\$ 6,250,000
December 31, 2005	\$56,450,000

provided, however, that the final principal installment shall be equal to the aggregate principal amount of the Term B Advances outstanding on such date.

Section 2.5 Termination or Reduction of the Commitments.

(a) **Optional.** The Borrower may, upon at least three (3) Business Days' notice to the Administrative Agent, terminate in whole or reduce in part the unused portions of the Unused Revolving Credit Commitments however, that each partial reduction of a Facility (i) shall be in an aggregate amount of \$1,000,000 or an integral multiple of \$1,000,000 in excess thereof, and (ii) shall be made ratably among the appropriate Lenders in accordance with their Commitments with respect to such Facility.

(b) **Mandatory.**

(i) The Term A Commitments shall automatically terminate in whole on the Term A Facility Termination Date and all Advances made thereunder shall be repaid in full, no later than the fifth anniversary of the Term A Draw Date.

(ii) On the date of the Term B Borrowing, after giving effect to such Term B Borrowing, and from time to time thereafter upon each repayment or prepayment of the Term B Advances, the aggregate Term B Commitments of the Term B Lenders shall be automatically and permanently reduced, on a pro rata basis, by an amount equal to the amount by which the aggregate Term B Commitments immediately prior to such reduction exceed the aggregate unpaid principal amount of the Term B Advances then outstanding; provided, however, that the Term B Commitments shall terminate, and all Advances made thereunder shall be repaid in full, no later than December 31, 2005.

(iii) On and after the date that all Term A Advances and Term B Advances shall have been repaid in full the Revolving Credit Facility shall be automatically and permanently reduced on each date on which prepayment thereof is required to be made pursuant to Section 2.6(b)(i), (ii), (iii) or (iv) in an amount equal to the applicable Reduction Amount, provided that each such reduction of the Revolving Credit Facility shall be made ratably among the Revolving Credit Lenders in accordance with their Revolving Credit Commitments.

(iv) The Letter of Credit Facility shall be permanently reduced from time to time on the date of each reduction in the Revolving Credit Facility by the amount, if any, by which the amount of the Letter of Credit Facility exceeds the Revolving Credit Facility after giving effect to such reduction of the Revolving Credit Facility.

(v) In the event the Closing Date shall not have occurred by October 30, 1998, then all of the Commitments shall be automatically terminated and this Agreement shall be of no further force or effect.

(vi) Notwithstanding the foregoing in clauses (i), (ii), (iii), (iv) and (v) of this Section 2.5(b), in the event the Term A Borrowing is not consummated on or prior to the Term A Facility Termination Date other than by reason of the breach, if any, by any Lender(s) of its

EBITDA, measured at the end of such Fiscal Year of the Borrower, for such Fiscal Year of the Borrower, is less than 3.00 to 1.00, then the required prepayment of the then outstanding Advances shall be in the amount of fifty percent (50%) of the annual Excess Cash Flow for such Fiscal Year rather than seventy-five percent (75%) of such annual Excess Cash Flow.

(ii) Within fifteen (15) days after receipt by any Loan Party or any of its Subsidiaries of Net Cash Proceeds from any Asset Disposition (other than Extraordinary Receipts the disposition of which shall be governed by the terms of Section 2.6(b)(iv) below), the Borrower shall prepay the then outstanding Advances in an amount equal to one-hundred percent (100%) of such Net Cash Proceeds; provided, however, that no prepayment of the then outstanding Advances will be required under this Section 2.6(b)(ii) with respect to Net Cash Proceeds from Asset Dispositions, not exceeding \$15,000,000 in any Fiscal Year, to the extent that such Net Cash Proceeds with respect to Vessels are reinvested (or are committed, pursuant to a binding written commitment, to be reinvested) in new or used vessels and, with respect to non-vessel assets, are reinvested (or are committed, pursuant to a binding written commitment, to be reinvested) in assets of a similar type and nature of those subject to such disposition, in each case, within twelve (12) months after receipt thereof; provided further, however, that the Borrower shall prepay the then outstanding Advances in an amount equal to (x) all Net Cash Proceeds from Asset Dispositions received in any Fiscal Year in excess of \$15,000,000, plus, without duplication, (y) all Net Cash Proceeds not so reinvested (or committed to be reinvested) within twelve (12) months after receipt thereof (which amounts shall be repaid not later than the date that is twelve (12) months after the date of receipt thereof).

(iii) Within fifteen (15) days after receipt by any Loan Party or any of its Subsidiaries of Net Cash Proceeds from any Debt Issuance or Equity Issuance, the Borrower shall prepay the then outstanding Advances in an amount equal to, (x) with respect to any Debt Issuance, one hundred percent (100%) of such Net Cash Proceeds and (y) with respect to any Equity Issuance, one hundred percent (100%) of such Net Cash Proceeds.

(iv) Within fifteen (15) days after receipt of Net Cash Proceeds by any Loan Party or any of its Subsidiaries from any Extraordinary Receipt received by or paid to or for the account of any Loan Party or any of its Subsidiaries and not otherwise included in clause (i), (ii) or (iii) above, the Borrower shall prepay the then outstanding Advances in an amount equal to one hundred percent (100%) of such Net Cash Proceeds in excess of \$250,000 in the aggregate in any fiscal year.

(v) Each prepayment made pursuant to clause (i), (ii), (iii) or (iv) shall be subject to the provisions of Section 11.4(c) and shall be applied to prepay the Facilities in the following manner: first, ratably to the Term A Facility and the Term B Facility, and ratably to each unpaid installment of principal of each of the Term Facilities until such installments are paid in full; second, to prepay Letter of Credit Advances then outstanding until such Letter of Credit Advances are paid in full; third, to prepay Revolving Credit Advances then outstanding (whereupon the Revolving Credit Facility shall be permanently reduced as set forth in Section 2.5(b)(iv)) until such

prepayment, only to the Advances of the Lenders under the Term A Facility). If any Term B Lender shall not give notice to the Administrative Agent within such five (5) Business Day period, the Administrative Agent shall assume that such Lender shall have accepted such prepayment.

Section 2.7 Interest.

(a) **Scheduled Interest.** The Borrower shall pay to the Administrative Agent, for the benefit of the Lenders, interest on the unpaid principal amount of each Advance owing to each Lender from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) **Prime Rate Advances.** During such periods as such Advance is a Prime Rate Advance, a rate per annum equal at all times to the sum of (x) the Prime Rate in effect from time to time plus (y) the Applicable Margin for such Advance in effect from time to time, payable in arrears monthly on the last day of each month during such periods and on the date such Prime Rate Advance shall be Converted or paid in full.

(ii) **Eurodollar Rate Advances.** During such periods as such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (x) the Eurodollar Rate for such Interest Period for such Advance plus (y) the Applicable Margin for such Advance in effect on the first day of such Interest Period, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(b) **Default Interest.** Upon the occurrence and during the continuance of a Default, the Borrower shall pay interest on (i) the unpaid principal amount of each Advance owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above and on demand, at a rate per annum equal at all times to two percent (2%) per annum above the rate per annum required to be paid on such Advance pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable hereunder that is not paid when due (whether at the stated maturity, by acceleration or otherwise), from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to two percent (2%) per annum above the rate per annum required to be paid, in the case of interest, on the Type of Advance on which such interest has accrued pursuant to clause (a)(i) or (a)(ii) above, and, in all other cases, on Prime Rate Advances pursuant to clause (a)(i) above.

(c) **Notice of Interest Rate.** Promptly after receipt of a Notice of Borrowing pursuant to Section 2.2(a), the Administrative Agent shall give notice to the Borrower and each appropriate Lender of the applicable interest rate determined by the Administrative Agent.

Acceptance pursuant to which it became a Lender in the case of each other Lender until the earlier of (x) the Term A Facility Termination Date or (y) the Term A Draw Date payable in arrears quarterly on the last Business Day of each December, March, June, and September, commencing on December 31, 1998 and ending on the earlier of (x) the Term A Facility Termination Date or (y) the Term A Draw Date at a rate per annum equal to 1.00% per annum on the average daily Term A Commitment of such Lender.

(b) **Letter of Credit Fees.**

(i) The Borrower shall pay to the Administrative Agent for the account of each Revolving Credit Lender a commission, payable in arrears quarterly on the last Business Day of each December, March, June and September commencing December 31, 1998 and on the earliest to occur of the full drawing, expiration, termination or cancellation of any such Letter of Credit and on the Revolving Credit Termination Date, on such Lender's Pro Rata Share of the average daily aggregate Available Amount during such quarter of all Letters of Credit outstanding from time to time at the rate per annum equal to the Applicable Margin then in effect for Eurodollar Advances under the Revolving Credit Facility.

(ii) In addition to the foregoing fees described in (i) above, the Borrower shall pay to the Issuing Bank, for its own account, (x) on the Available Amount of each Letter of Credit, a fronting fee, for the period from the date of issuance of such Letter of Credit to and including the termination thereof, computed at the rate of one quarter of one percent ($\frac{1}{4}\%$) per annum, payable in arrears quarterly on the last Business Day of each December, March, June and September of each year and on the date of termination thereof and (y) transfer fees and other customary fees and charges in connection with the issuance or administration of each Letter of Credit as the Borrower and the Issuing Bank shall agree.

(d) **Administrative Agent's Fees.** The Borrower shall pay to the Administrative Agent for its own account such fees as may from time to time be agreed between the Borrower and the Administrative Agent.

Section 2.9 Conversion of Advances.

(a) **Optional.** The Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 11:00 A.M. (New York time) on the third Business Day prior to the date of the proposed Conversion and subject to the provisions of Sections 2.7 and 2.10, Convert all or any portion of the Advances of one Type comprising the same Borrowing into Advances of the other Type; provided, however, that any Conversion of Eurodollar Rate Advances into Prime Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances unless the Borrower pays the amounts, if any, provided for in Section 11.4(c), any Conversion of Prime Rate Advances into Eurodollar Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.1(c), no Conversion of any Advances shall result in more separate Borrowings than permitted under Section 2.2(b) and each

Lender Party additional amounts sufficient to compensate such Lender Party for such increased cost; provided, however, that a Lender Party claiming additional amounts under this Section 2.10(a) agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to designate a different Applicable Lending Office if the making of such a designation would avoid the need for, or reduce the amount of, such increased cost that may thereafter accrue and would not, in the reasonable judgment of such Lender Party, be otherwise disadvantageous to such Lender Party. A certificate as to the amount of such increased cost, submitted to the Borrower by such Lender Party, shall be conclusive and binding for all purposes, absent manifest error.

(b) If due to (i) the introduction or effectiveness, after the date hereof, of, any change in, any change or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request adopted or issued after the date hereof, from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the amount of capital required or reasonably expected to be maintained by any Lender Party or any corporation controlling such Lender Party as a result of or based upon the existence of such Lender Party's commitment to lend or to issue Letters of Credit hereunder and other commitments of such type or the issuance or maintenance of the Letters of Credit and any Lender Party shall determine that same has or would have the effect of reducing the rate of return of such Lender Party with respect such capital, then, upon demand by such Lender Party (with a copy of such demand to the Administrative Agent), the Borrower shall pay to the Administrative Agent for the account of such Lender Party, from time to time as specified by such Lender Party, additional amounts sufficient to compensate such Lender Party in the light of such circumstances, to the extent that such Lender Party reasonably determines such increase in capital (and resulting reduction in return) to be allocable to the existence of such Lender Party's commitment to lend or to issue Letters of Credit hereunder or to the issuance or maintenance of any Letters of Credit. A certificate as to such amounts submitted to the Borrower by such Lender Party shall be conclusive and binding for all purposes, absent manifest error.

(c) If, with respect to any Eurodollar Rate Advances under any Facility, Lenders owed greater than fifty percent (50%) of the then aggregate unpaid principal amount thereof notify the Administrative Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Lenders of making, funding or maintaining their Eurodollar Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the Borrower and the appropriate Lenders, whereupon (i) each such Eurodollar Rate Advance under any Facility will automatically, on the last day of the then existing Interest Period therefor, Convert into a Prime Rate Advance and (ii) the obligation of the appropriate Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower that such Lenders have determined that the circumstances causing such suspension no longer exist.

(d) Notwithstanding any other provision of this Agreement, if the introduction or effectiveness of, any change in, or any change in the interpretation of any law or regulation shall make it unlawful, or any central bank or other governmental authority shall assert that it is unlawful,

assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) If the Administrative Agent receives funds for application to the Obligations under the Loan Documents under circumstances for which the Loan Documents do not specify the Advances or the Facility to which, or the manner in which, such funds are to be applied, the Administrative Agent may, but shall not be obligated to, elect to distribute such funds to each Lender Party ratably in accordance with such Lender Party's proportionate share of the principal amount of all outstanding Advances and the Available Amount of all Letters of Credit then outstanding in repayment or prepayment of such of the outstanding Advances or other Obligations owed to such Lender Party, and for application to such principal installments, as the Administrative Agent shall direct.

(c) The Borrower hereby authorizes each Lender Party, if and to the extent payment owed to such Lender Party is not made when due hereunder or, in the case of a Lender, under the Note held by such Lender, to charge from time to time against any or all of the Borrower's accounts with such Lender Party any amount so due.

(d) All computations of interest, fees and Letter of Credit commissions shall be made by the Administrative Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees or commissions are payable. Each determination by the Administrative Agent of an interest rate, fee or commission hereunder shall be conclusive and binding for all purposes, absent manifest error.

(e) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(f) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to any Lender Party hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each such Lender Party on such due date an amount equal to the amount then due such Lender Party. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each such Lender Party shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender Party together with interest thereon, for each day from the date such amount is distributed to such Lender Party until the date such Lender Party repays such amount to the Administrative Agent, at the Federal Funds Rate.

11.2, the original receipt of payment thereof or a certified copy of such receipt. In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Administrative Agent, at such address, an opinion of counsel acceptable to the Administrative Agent stating that such payment is exempt from Taxes. For purposes of this subsection (d) and subsection (e), the terms "United States" and "United States person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender Party organized under the laws of a jurisdiction outside the United States shall, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender or Initial Issuing Bank, as the case may be, and on the date of the Assignment and Acceptance pursuant to which it became a Lender Party in the case of each other Lender Party, and from time to time thereafter as requested in writing by the Borrower or the Administrative Agent (but only so long thereafter as such Lender Party remains lawfully able to do so), provide each of the Administrative Agent and the Borrower with two (2) original Internal Revenue Service forms 1001 or 4224, as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes. If the forms provided by a Lender Party at the time such Lender Party first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender Party provides the appropriate form certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such form; provided, however, that, if at the date of the Assignment and Acceptance pursuant to which a Lender Party becomes a party to this Agreement, the Lender Party assignor was entitled to payments under subsection (a) in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender Party assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and information required on the date hereof by Internal Revenue Service form 1001 or 4224, that the Lender Party reasonably considers to be confidential, the Lender Party shall give notice thereof to the Borrower and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender Party has failed to provide the Borrower with the appropriate form described in subsection (e) (other than if such failure is due to a change in law occurring after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (e)), such Lender Party shall not be entitled to indemnification under subsection (a) or (c) with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender Party become subject to Taxes

Section 2.14 Use of Proceeds.

The proceeds of the Advances and issuances of Letters of Credit shall be available, and the Borrower shall use such proceeds and Letters of Credit solely (i) to finance in part the Moran Acquisition, (ii) to pay fees and expenses incurred in connection with the Moran Acquisition, (iii) to finance working capital and capital expenditures of the Borrower and its Subsidiaries (provided that, prior to the Term A Draw Date, the aggregate amount of outstanding Revolving Credit Advances (or applicable portion thereof) and Letter of Credit Advances (or applicable portion thereof) the proceeds or credit of which (in the case of Revolving Credit Advances), or credit represented by which (in the case of Letters of Credit) has been advanced or made available by the Borrower to the Old Moran Entities, shall not, at any one time, exceed \$15,000,000), and (iv) to finance general corporate purposes of the Borrower and its Subsidiaries (including, without limitation, payment of any prepayment premium incurred in connection with the prepayment of the Senior Notes); provided, however, that the Term A Facility (and no other Facility) shall be available solely for the purpose of funding the redemption of the Senior Notes.

Section 2.15 Defaulting Lenders.

(a) In the event that, at any one time, (i) any Lender Party shall be a Defaulting Lender, (ii) such Defaulting Lender shall owe a Defaulted Advance to the Borrower and (iii) the Borrower shall be required to make any payment hereunder or under any other Loan Document to or for the account of such Defaulting Lender, then the Borrower may, so long as no Default shall occur or be continuing at such time and to the fullest extent permitted by applicable law, set off and otherwise apply the obligation of the Borrower to make such payment to or for the account of such Defaulting Lender against the obligation of such Defaulting Lender to make such Defaulted Advance. In the event that, on any date, the Borrower shall so set off and otherwise apply its obligation to make any such payment against the obligation of such Defaulting Lender to make any such Defaulted Advance on or prior to such date, the amount so set off and otherwise applied by the Borrower shall constitute for all purposes of this Agreement and the other Loan Documents an Advance by such Defaulting Lender made on the date under the Facility pursuant to which such Defaulted Advance was originally required to have been made pursuant to Section 2.1. Such Advance shall be a Prime Rate Advance and shall be considered, for all purposes of this Agreement, to comprise part of the Borrowing in connection with which such Defaulted Advance was originally required to have been made pursuant to Section 2.1, even if the other Advances comprising such Borrowing shall be Eurodollar Rate Advances on the date such Advance is deemed to be made pursuant to this subsection (a). The Borrower shall notify the Administrative Agent at any time the Borrower exercises its right of set-off pursuant to this subsection (a) and shall set forth in such notice (i) the name of the Defaulting Lender and the Defaulted Advance required to be made by such Defaulting Lender and (ii) the amount set off and otherwise applied in respect of such Defaulted Advance pursuant to this subsection (a). Any portion of such payment otherwise required to be made by the Borrower to or for the account of such Defaulting Lender which is paid by the Borrower, after giving effect to the amount set off and otherwise applied by the Borrower pursuant to this subsection (a), shall be applied by the Administrative Agent as specified in subsection (b) or (c) of this Section 2.15.

rate of interest payable with respect to the credit balance of such account from time to time, shall be Fleet's standard terms applicable to escrow accounts maintained with it. Any interest credited to such account from time to time shall be held by the Administrative Agent in escrow under, and applied by the Administrative Agent from time to time in accordance with the provisions of, this subsection (c). The Administrative Agent shall, to the fullest extent permitted by applicable law, apply all funds so held in escrow from time to time to the extent necessary to make any Advances required to be made by such Defaulting Lender and to pay any amount payable by such Defaulting Lender hereunder and under the other Loan Documents to the Administrative Agent or any other Lender Party, as and when such Advances or amounts are required to be made or paid and, if the amount so held in escrow shall at any time be insufficient to make and pay all such Advances and amounts required to be made or paid at such time, in the following order of priority:

(i) first, to the Administrative Agent for any amount then due and payable by such Defaulting Lender to the Administrative Agent hereunder;

(ii) second, to the Lender Parties for any amount then due and payable by such Defaulting Lender to such Lender Parties hereunder, ratably in accordance with such respective amounts then due and payable to such Lender Parties; and

(iii) third, to the Borrower for any Advance then required to be made by such Defaulting Lender pursuant to a Commitment of such Defaulting Lender.

In the event that any Lender Party that is a Defaulting Lender shall, at any time, cease to be a Defaulting Lender, any funds held by the Administrative Agent in escrow at such time with respect to such Lender Party shall be distributed by the Administrative Agent to such Lender Party and applied by such Lender Party to the Obligations owing to such Lender Party at such time under this Agreement and the other Loan Documents in such manner as the Administrative Agent shall reasonably direct.

(d) The rights and remedies against a Defaulting Lender under this Section 2.15 are in addition to other rights and remedies that the Borrower may have against such Defaulting Lender with respect to any Defaulted Advance and that the Administrative Agent or any Lender Party may have against such Defaulting Lender with respect to any Defaulted Amount.

Section 2.16 Removal of Lender. In the event that any Lender Party (an "Affected Lender") (a) demands payment of costs or additional amounts pursuant to Section 2.10 or Section 2.12, (b) asserts, pursuant to Section 2.10(d) that it is unlawful for such Affected Lender to make Eurodollar Rate Advances, or (c) which was a Coastwise Citizen at the time it became a Lender hereunder but thereafter lost its status as such, then (subject, with respect to clauses (a) and (b) hereof, to such Affected Lender's right to rescind such demand or assertion within 10 days after the notice from the Borrower referred to below and so long as no Event of Default exists) the Borrower may, upon 20 days' prior written notice to such Affected Lender and the Administrative Agent, with the reasonable assistance of the Administrative Agent, elect to cause such Affected Lender to assign

ARTICLE 3
CONDITIONS OF LENDING

Section 3.1 Conditions Precedent to Initial Extension of Credit. The obligation of each Lender to make an Advance, or of the Issuing Bank to issue a Letter of Credit, in each case, on the occasion of the Initial Extension of Credit hereunder is subject to the satisfaction of each of the following conditions precedent before or concurrently with the Initial Extension of Credit:

(a) The Administrative Agent shall have received on or before the day of the Initial Extension of Credit the following, each dated such day (unless otherwise specified), in form and substance satisfactory to the Administrative Agent and the Lenders, and in sufficient copies (except for the Notes), for each Lender Party:

(i) (A) the Term A Notes payable to the order of the Term A Lenders, (B) the Term B Notes payable to the order of the Term B Lenders and (C) the Revolving Credit Notes payable to the order of the Revolving Credit Lenders, in each case duly executed by the Borrower.

(ii) A security agreement in substantially the form of Exhibit G granting to the Administrative Agent, for the ratable benefit of the Secured Parties, a first and only priority security interest in all of the personal property and assets (excluding real property, the capital stock of the Garbage Subsidiary or any Subsidiary of the Garbage Subsidiary, Vessels, and customer contracts (including, without limitation, charters and contracts of affreightment) of the Borrower and each Turecamo Entity (together with the Old Moran Security Agreement and each other security agreement delivered pursuant to Section 5.13, in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms, whether one or more, each a "Security Agreement"), duly executed by the Borrower and each Turecamo Entity, together with:

(A) proper, duly executed financing statements under the Uniform Commercial Code of all jurisdictions that the Administrative Agent may deem necessary or desirable in order to perfect and protect the first and only priority Liens and security interests created under the Security Agreement, covering the Collateral described in the Security Agreement;

(B) completed requests for information, dated on or before the date of the Initial Extension of Credit, listing all effective financing statements filed that name the Borrower or any other Loan Party as debtor, together with copies of such financing statements;

(C) evidence of the completion of all other recordings and filings of or with respect to the Security Agreement that the Administrative Agent may deem necessary or desirable in order to perfect and protect the Liens created thereby;

(D) evidence of the insurance required by the terms of the Security Agreement;

(C) evidence of the completion of all other recordings and filings of or with respect to the Old Moran Security Agreement that the Administrative Agent may deem necessary or desirable in order to perfect and protect the Liens created thereby;

(D) evidence of the insurance required by the terms of the Old Moran Security Agreement;

(E) copies of the Assigned Agreements, if any, referred to in the Old Moran Security Agreement, together with a consent to such assignments, if any, in substantially the form of Exhibit C to the Old Moran Security Agreement, duly executed by each party to such Assigned Agreements other than the Old Moran Entities;

(F) evidence that all other action that the Administrative Agent may reasonably deem necessary or desirable in order to perfect and protect the first and only priority liens and security interests created under the Old Moran Security Agreement has been taken.

(iv) An intellectual property security agreement in substantially the form of Exhibit I hereto granting to the Administrative Agent for the ratable benefit of the Lenders a first and only priority security interest in all of the Borrower's and each Turecamo Entity's intellectual property (together with each other intellectual property security agreement delivered pursuant to Section 3.4 or Section 5.13, in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms, each an "**Intellectual Property Security Agreement**"), duly executed by the Borrower and each Guarantor, together with evidence that all action that the Administrative Agent may deem necessary or desirable in order to perfect and protect the first and only priority Liens and security interests created under the Intellectual Property Security Agreement has been taken.

(v) A pledge agreement substantially in the form of Exhibit J hereto (as hereafter amended, supplemented or otherwise modified from time to time in accordance with its terms, the "**Borrower Stockholders Pledge Agreement**") duly executed by the Borrower Stockholders pursuant to which all of the issued and outstanding capital stock of the Borrower shall be pledged to the Administrative Agent for the benefit of the Secured Parties as security for the Obligations, together with (i) the certificates representing all shares pledged thereunder, undated stock powers executed in blank and proxies with respect thereto and (ii) proper, duly executed financing statements under the Uniform Commercial Code of all jurisdictions that the Administrative Agent may deem necessary in order to perfect and protect the first and only priority Liens and security interests created under the Borrower Stockholders Pledge Agreement covering the shares pledged pursuant thereto.

(vi) A guaranty in substantially the form of Exhibit K (together with each other guaranty executed and delivered pursuant to Section 3.4 or Section 5.13, in each case as amended, supplemented or otherwise modified from time to time in accordance with its terms,

(G) for each Vessel to the extent it is required to be maintained in class in order to operate in the service in which it is operating, the certificate of American Bureau of Shipping for such Vessel, dated not more than fourteen (14) days prior to the Closing Date, confirming that such Vessel is in such class without material recommendation (except for such recommendations which, when taken together with other recommendations for all Vessels, could not reasonably be expected to have a Material Adverse Effect);

(H) a copy of the current certificate of inspection issued by the United States Coast Guard for such Vessel, if available, and reflecting no outstanding recommendations (except for such recommendations which, when taken together with other recommendations for all Vessels, could not reasonably be expected to have a Material Adverse Effect); and

(I) (1) written advice from J&H Marsh & McLennan, Inc., insurance brokers, of the placement of the insurances covering such Vessel; (2) written confirmation from such brokers, that they have received no notice of the assignment (except to the Administrative Agent) of the insurances or any claim covering such Vessel; (3) an opinion of such brokers to the effect that such insurance complies with the applicable provisions of this Agreement and of the Preferred Ship Mortgage covering such Vessel, where applicable; and (4) an agreement by such brokers, in form and substance satisfactory to the Administrative Agent, whereunder the insurances of such Vessel, and claims thereunder, will not be affected by nonpayment of premiums on any other insurances.

(viii) Certified copies of resolutions of the Board of Directors of each Loan Party approving the Moran Acquisition, this Agreement, the Notes, and each other Loan Document and Moran Acquisition Document to which it is or is to be a party, and of all documents evidencing other necessary corporate action and governmental and other third party approvals and consents, if any, with respect to the Moran Acquisition, this Agreement, the Notes, and each other Loan Document and Moran Acquisition Document.

(ix) A copy of the charter of each Loan Party and each amendment thereto, certified (as of a date reasonably near the date of the Initial Extension of Credit) by the Secretary of State of the jurisdiction of its incorporation as being a true and correct copy thereof.

(x) A copy of a certificate of the Secretary of State of the jurisdiction of its incorporation, dated reasonably near the date of the Initial Extension of Credit, listing the charter of each Loan Party and each amendment thereto on file in its office and certifying that (A) such amendments are the only amendments to such Loan Party's charter on file in its office, (B) such Loan Party has paid all franchise taxes to the date of such certificate and (C) such Loan Party is duly incorporated and in good standing under the laws of the State of the jurisdiction of its incorporation.

(xi) A copy of a certificate of the Secretary of State of each State listed on Schedule 4.2, dated reasonably near the date of the Initial Extension of Credit, stating that each Loan

(c) The Initial Lenders shall be satisfied that all Existing Debt other than the Surviving Debt has been (or, upon consummation of the Moran Acquisition will be) prepaid, redeemed or defeased in full or otherwise satisfied and extinguished and that all Surviving Debt shall be on terms and conditions satisfactory to the Initial Lenders.

(d) There shall have occurred no material adverse change in the business, condition (financial or otherwise), operations, performance, properties or prospects of either (i) the Borrower and the Old Moran Entities, taken as a whole, since March 31, 1998 or (ii) the Turecamo Entities, taken as a whole, since December 31, 1997.

(e) Other than the Disclosed Litigation, there shall exist no action, suit, investigation, litigation or proceeding pending or threatened in any court or before any arbitrator or governmental or regulatory agency or authority that (i) could reasonably be expected to (A) have a material adverse effect on the business, condition (financial or otherwise), results of operations or properties of the Borrower and its Subsidiaries, taken as a whole, (B) adversely affect the ability of the Borrower or any Guarantor to perform its obligations under the Loan Documents or (C) materially and adversely affect the rights and remedies of the Administrative Agent and the Lender Parties under the Loan Documents or (ii) purports to materially and adversely affect any aspect of the Transaction or the Facilities (collectively, a "**Material Adverse Effect**"); and there shall have been no Material Adverse Change in the status, or financial effect on the Borrower or any of its Subsidiaries, of the Disclosed Litigation from that described on Schedule 4.9.

(f) All governmental and third party consents and approvals necessary in connection with each aspect of the Moran Acquisition and the Facilities shall have been obtained (without the imposition of any conditions that are not acceptable to the Initial Lenders) and shall remain in effect; all applicable waiting periods shall have expired without any adverse action being taken by any competent authority; and no law or regulation shall be applicable in the reasonable judgment of the Initial Lenders that restrains, prevents or imposes materially adverse conditions upon any aspect of the Moran Acquisition or the Facilities.

(g) The Initial Lenders shall have completed a due diligence investigation of the Borrower, the other Loan Parties and their respective Subsidiaries in scope, and with results, satisfactory to the Initial Lenders; the Borrower and its Subsidiaries shall have given the Administrative Agent such access to their respective books and records as the Administrative Agent may have requested upon reasonable notice in order to carry out its investigations, appraisals and analyses, including, but not limited to, calculation of the value of Eligible Receivables and Eligible Inventory, and the Administrative Agent shall have received all additional financial, business and other information regarding the Borrower and its Subsidiaries and properties as they shall have reasonably requested. All of the information, taken as a whole, provided by the Borrower or any of its Subsidiaries to the Administrative Agent and the Initial Lenders prior to their commitment in respect of the Facilities (the "**Pre-Commitment Information**") shall be true and correct in all material respects, and no development or change shall have occurred, and no additional information shall have come to the attention of the Administrative Agent or the Initial Lenders, that (i) has

(n) All accrued reasonable fees and expenses of the Administrative Agent (including the reasonable fees and expenses of counsel for the Administrative Agent and local counsel for the Administrative Agent) shall have been paid.

(o) The Moran Acquisition shall have been consummated (prior to or contemporaneously with the Initial Extension of Credit) pursuant to the terms and conditions of the Moran Acquisition Agreement (and none of the material terms or conditions of the Moran Acquisition Agreement shall have been waived or modified except with the prior written consent of the Administrative Agent and the Required Lenders) and in compliance with all applicable laws and with all necessary consents and approvals. The final terms and conditions of the Moran Acquisition Documents and the resulting corporate structure of the Borrower and its Subsidiaries following the Moran Acquisition shall be reasonably satisfactory in all material respects to the Administrative Agent and the Initial Lenders.

(p) The Administrative Agent shall have received certified copies of each of the material Moran Acquisition Documents, each of which shall be satisfactory to the Initial Lenders and in full force and effect.

(q) The Administrative Agent shall be satisfied that there are no state takeover laws and no supermajority charter provisions applicable to the Moran Acquisition, or that any conditions to avoiding such restrictions have been satisfied.

(r) The Administrative Agent shall have received a Visual Survey, which Visual Survey shall reflect in the aggregate a fair market value of all of the Vessels identified on Schedule 4.29 of not less than \$200,000,000 as at the Closing Date.

(s) The Administrative Agent shall have received copies of all of the Senior Notes Documents all of which shall be satisfactory in form and substance to the Administrative Agent, and certified as true and complete by a Responsible Officer.

(t) All Advances made under this Agreement shall be in full compliance with all applicable requirements of law, including, without limitation, Federal Reserve Regulations T, U, and X.

(u) The Administrative Agent shall have received such bank consent agreements, third party consents, intercreditor agreements or other agreements, as deemed necessary or desirable in the Administrative Agent's sole discretion, to preserve or otherwise in respect of the Administrative Agent's rights in the Collateral.

(v) The Administrative Agent shall have received such other approvals, opinions or documents as any Lender through the Administrative Agent may reasonably request, and all legal matters incident to such Borrowing shall be reasonably satisfactory to counsel for the Administrative Agent.

shall have received written notice from such Initial Lender prior to the Initial Extension of Credit specifying its objection thereto and, if the Initial Extension of Credit consists of a Borrowing, such Initial Lender shall not have made available to the Administrative Agent such Initial Lender's ratable portion of such Borrowing.

Section 3.4 Conditions Precedent to the Term A Borrowing. The obligation of each Term A Lender to make a Term A Advance shall be subject to the satisfaction of each of the following conditions precedent before or concurrently with the extension of the Term A Advances:

(a) The following statements shall be true and the Administrative Agent shall have received a certificate signed by a duly authorized Responsible Officer of the Borrower, on behalf of the Borrower, dated the date of the Term A Borrowing, stating that (and the giving of the applicable Notice of Borrowing in respect of the Term A Borrowing and the acceptance by the Borrower of the proceeds of the Term A Borrowing shall constitute a representation and warranty by the Borrower that both of the date of such notice and on the date of such Borrowing are true):

(i) the representations and warranties contained in Sections 4.1, 4.3 (other than the last sentence thereof), 4.4, 4.5, 4.6(a), 4.7, 4.10, 4.18 (but not as to any Subsidiary whose insolvency could not reasonably be expected to have a Material Adverse Effect), and 4.29(a) are true and correct in all material respects on and as of such date before and after giving effect to such Term A Borrowing and to the application of the proceeds therefrom, as though made on and as of such date, except for (A) representations or warranties which expressly relate to an earlier date in which case such representations and warranties shall be true and correct, in all material respects, as of such earlier date, or (B) representations or warranties which are no longer true as a result of a transaction expressly permitted hereunder;

(ii) no event has occurred and is continuing, or would result from such Term A Borrowing or from the application of the proceeds therefrom that constitutes a Default or an Event of Default under Section 6.1 (but excluding any Default or Event of Default due to a non-material Lien), 6.2, 6.4, 6.5, 6.6, 6.7, 6.17, 6.19, 7.3, 7.4 or 7.19, Article 8, or Section 9.1 (except a Default (but not an Event of Default) with respect to any amount not consisting of principal or interest), 9.6, 9.10, 9.12 or 9.13(b); and

(iii) Since the date of the Closing, there has been no change in the condition of the Vessels, taken as a whole, which materially and adversely affects the ability of the Borrower and its Subsidiaries to conduct their business (taken as a whole) in the ordinary course of business.

(b) All of the Indenture Liens shall have been fully and completely released and terminated (simultaneously with the making of the Term A Advance), evidence of which shall be satisfactory to the Administrative Agent and the Lender Parties;

except where the failure to so qualify or be licensed could not reasonably be expected to have a Material Adverse Effect and (c) has all requisite corporate power and authority (including, without limitation, all governmental licenses, permits and other approvals) to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted.

Section 4.2 Subsidiaries. Set forth on Schedule 4.2 hereto is a complete and accurate list of the Borrower and all Subsidiaries of each Loan Party, showing as of the date hereof (i) the jurisdiction of its incorporation or formation, (ii) the jurisdictions in which such Loan Party is duly qualified and in good standing as a foreign corporation or Person, (iii) the number of shares of each class of capital stock or other equity interests authorized, and the number outstanding, and as to each of them that is a legal entity other than a corporation (but not a natural person), and the owners (other than shares of the Borrower publicly held other than by Affiliates) of such equity interests (including the identity of any partner thereof as a general or limited partner), in each case after giving effect to the Moran Acquisition any other acquisitions to the extent permitted under this Agreement and the percentage of the outstanding shares or other interests of each such class owned (directly or indirectly) by such Loan Party and the number of shares or other interests covered by all outstanding options, warrants, rights of conversion or purchase and similar rights after giving effect to the Moran Acquisition and any other acquisitions to the extent permitted under this Agreement. As of the date hereof, all of the outstanding capital stock or other equity interests of all of the Borrower and each of such Subsidiaries has been validly issued, is fully paid and non-assessable, and, in the case of the Subsidiaries, is owned by the Borrower or one or more of its Subsidiaries free and clear of all Liens, except those created under the Collateral Documents and except as set forth on Schedule 4.2.

Section 4.3 Corporate Power, Authorization. The execution, delivery and performance by each Loan Party of this Agreement, the Notes, each other Loan Document and each Moran Acquisition Document to which it is or is to be a party, and the consummation of the Transaction, are within such Loan Party's corporate powers, have been duly authorized by all necessary corporate action, and do not (a) contravene such Loan Party's charter or bylaws, (b) violate any law (including, without limitation, (i) any Foreign, Cuban or Iranian Assets Control Regulations of the United States contained in Title 31, Code of Federal Regulations, Subchapter B, Chapter V, as amended, (ii) the Securities Act of 1933, as amended, (iii) the Securities Exchange Act of 1934, as amended, and (vi) the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970), rule, regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award, (c) except as set forth on Schedule 4.3, conflict with or result in the breach of, or constitute a default under, any material contract, loan agreement, indenture, mortgage, deed of trust, lease or other material instrument or agreement binding on or affecting any Loan Party, any of its Subsidiaries or any of their respective properties or (d) except for the Liens created under the Collateral Documents, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Loan Party or any of its Subsidiaries. No Loan Party or any of its Subsidiaries is in violation of any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or in breach of any such contract, loan agreement, indenture,

and cash flows for the six (6) months then ended, to normal year-end audit adjustments, the consolidated financial condition of Old Moran and its Subsidiaries as at such dates and the consolidated results of the operations of Old Moran and its Subsidiaries for the period ended on such date, all in accordance with GAAP applied on a consistent basis.

(ii) The combined and combining balance sheets of the Turecamo Entities and certain of its Affiliates as at December 31, 1997 and the related combined statements of income and combined statements of cash flows of the Turecamo Entities for the Fiscal Year then ended, accompanied by an opinion of Urbach, Kahn & Werlin, P.C., independent public accountants, and the combined balance sheet of the Turecamo Entities as at June 30, 1998 and the related combined statement of income and combined statement of cash flows of the Turecamo Entities for the six (6) months then ended, duly certified by the Chief Financial Officer of the Turecamo Entities, copies of which have been furnished to each Lender Party, fairly present, in all material respects, subject, in the case of said balance sheet as at June 30, 1998 and said statements of income and cash flows for the six (6) months then ended, to normal year-end audit adjustments, the combined financial condition of the Turecamo Entities as at such dates and the combined results of the operations of the Turecamo Entities for the period ended on such date, all in accordance with GAAP applied on a consistent basis.

(b) Since June 30, 1998, there has been no change with respect to the financial statements referred to in clause (a) above that could reasonably be expected to have a Material Adverse Effect.

Section 4.7 Pro Forma Financial Statements. The Consolidated pro forma balance sheet of the Borrower and its Subsidiaries as at June 30, 1998, and the related Consolidated pro forma statement of income and cash flows of the Borrower and its Subsidiaries for the period then ended, certified by the Chief Financial Officer of the Borrower, copies of which have been furnished to each Initial Lender, fairly present, in all material respects, the Consolidated pro forma financial condition of the Borrower and its Subsidiaries as at such date and the Consolidated pro forma results of operations of the Borrower and its Subsidiaries for the period ended on such date, in each case after giving effect to the Transaction (assuming the Transactions were consummated on January 1, 1998), all in accordance with GAAP.

Section 4.8 Accurate Information. No written information, exhibit or report furnished by any Loan Party to the Administrative Agent or any Lender Party in connection with the Loan Documents or pursuant to the terms of the Loan Documents, when taken with all other information furnished in connection with or pursuant to the Loan Documents, contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein not misleading.

Section 4.9 Litigation. Other than the litigation disclosed on Schedule 4.9 (the "**Disclosed Litigation**"), there is no action, suit, investigation, litigation or proceeding affecting the Borrower, any other Loan Party or any of their respective Subsidiaries, including, without limitation, any

(b) (i) None of the properties currently or formerly owned or operated by any Loan Party or any of its Subsidiaries is listed or proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list or is adjacent to any such property; (ii) there are no and, to the best of its knowledge, never have been any underground or aboveground storage tanks or any surface impoundments, septic tanks, pits, sumps or lagoons in which Hazardous Materials are being or, to the best of its knowledge, have been treated, stored or disposed on any property currently owned or operated by any Loan Party or any of its Subsidiaries or on any property formerly owned or operated by any Loan Party or any of its Subsidiaries; (iii) there is no asbestos or asbestos-containing material on any property currently owned or operated by any Loan Party or any of its Subsidiaries; and (iv) Hazardous Materials have not been released, discharged or disposed of on any property currently owned or operated by any Loan Party or any of its Subsidiaries, or any property formerly owned or operated by any Loan Party or any of its Subsidiaries, except, in the case of clauses (i) through (iv), items, matters or conditions which could not reasonably be expected to have a Material Adverse Effect.

(c) Except as disclosed on Schedule 4.13, no Loan Party nor any of its Subsidiaries, as of the date hereof, is undertaking either individually or together with other potentially responsible parties, any investigation or assessment or Remedial, Response or Removal action relating to any actual or threatened release, discharge or disposal of Hazardous Materials at any site, location or operation, either voluntarily or pursuant to the order of any governmental or regulatory authority or the requirements of any Environmental Law; and all Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently owned or operated by any Loan Party or any of its Subsidiaries or any property formerly owned or operated by any Loan Party or any of its Subsidiaries have been disposed of in a manner not reasonably expected to result in a Material Adverse Effect.

Section 4.14 Intentionally Omitted.

Section 4.15 Priority of Liens. The Collateral Documents create in favor of the Administrative Agent, for the ratable benefit of the Lenders, a valid and perfected first priority security interest, subject to any applicable Permitted Lien, in the Collateral (including, without limitation, the Mortgaged Vessels), securing the payment of the Obligations, and all filings and other actions necessary or reasonably desirable to perfect and protect such security interest have been duly taken or shall be taken promptly after the Closing Date. The Loan Parties are the legal and beneficial owners of all material Collateral (including, without limitation, the Mortgaged Vessels) free and clear of any Lien, except for the liens and security interests created or expressly permitted under the Loan Documents.

Section 4.16 Taxes.

(a) As of the date hereof, each Loan Party and each of its Subsidiaries has filed, has caused to be filed or has been included in all tax returns (Federal, state, local and foreign)

which Debt shall remain outstanding after giving effect to the Transactions (the "Surviving Debt"), showing as of the date hereof the principal amount outstanding thereunder, the maturity date thereof and the amortization schedule therefor.

Section 4.20 No Defaults, Compliance with Laws.

(a) Except as set forth on Schedule 4.20 hereto, no Loan Party is in default under any agreement, ordinance, resolution, decree, bond, note, indenture, order or judgment to which it is a party or by which it is bound, or any other agreement or other instrument by which any of the properties or assets owned by it or used in the conduct of its business is affected, which default could have a Material Adverse Effect.

(b) Each Loan Party has complied and is in compliance in all respects with all applicable laws, rules, ordinances, regulations, resolutions, orders, writs, decrees and other similar documents and instruments of all courts and governmental authorities, bureaus and agencies, domestic and foreign, including, without limitation, any Regulatory Authority and all applicable provisions of the Americans with Disabilities Act (42 U.S.C. § 12101-12213) and the regulations issued thereunder and all applicable Environmental Laws, non-compliance with which could reasonably be expected to have a Material Adverse Effect.

Section 4.21 Owned Real Property. Set forth on Schedule 4.21 is a complete and accurate list, as of the date hereof, of all real property owned by any Loan Party or any of its Subsidiaries or in which any Loan Party has an interest as a contract vendee, showing as of the date hereof the street address, county or other relevant jurisdiction, state, record owner and book value thereof. Such Loan Party or such Subsidiary has good, marketable and insurable fee simple title to such real property, free and clear of all Liens, other than Permitted Real Property Encumbrances.

Section 4.22 Leased Real Property. Set forth on Schedule 4.22 is a complete and accurate list, as of the Closing Date, of all leases of real property under which any Loan Party or any of its Subsidiaries is the lessee, showing as of the date hereof the street address, county or other relevant jurisdiction, state, lessor, lessee, expiration date and annual rental cost thereof. To the best knowledge of each Loan Party, each such lease, as of the Closing Date, is the legal, valid and binding obligation of the lessor thereof, enforceable in accordance with its terms.

Section 4.23 Material Contracts. Set forth on Schedule 4.23 is a complete and accurate list of all Material Contracts of each Loan Party and its Subsidiaries, showing as of the date hereof the parties, subject matter and term thereof. Except as could not reasonably be expected to have a Material Adverse Effect, as of the Closing Date, each Material Contract has been duly authorized, executed and delivered by all parties thereto, has not been amended or otherwise modified, is in full force and effect and is binding upon and enforceable against all parties thereto in accordance with its terms. There exists, as of the Closing Date, no material default under any Material Contract by the Borrower or any of its Subsidiaries party thereto and, to the best knowledge of each Loan Party,

Section 4.27 Fees. Except as set forth in Schedule 4.27, no broker's or finder's fees or commissions or any similar fees or commissions will be payable by any Loan Party or any of its Subsidiaries with respect to the incurrence and maintenance of the Obligations, any other transaction contemplated by the Loan Documents or any services rendered in connection with any such transactions. The Borrower hereby covenants and agree to indemnify the Administrative Agent and each Lender Party against and hold the Administrative Agent and each Lender Party harmless from any claim, demand or liability for broker's or finder's fees or similar fees or commissions.

Section 4.28 Government Consents for Conduct of Business.

(a) Except as set forth on Schedule 4.4, each Loan Party has, and is in good standing with respect to, all approvals, permits, licenses, consents, authorizations, franchises, certificates, and inspections of all Regulatory Agencies, that are necessary for a Loan Party to continue to conduct business and own, use, operate, and maintain its property and assets as heretofore conducted, owned, used, operated, and maintained which, if not obtained (whether directly or by lawful and effective assignment) or not maintained in good standing, could reasonably be expected to have a Material Adverse Effect. No such approval, permit, license, consent, authorization, franchise, or certificate is conditioned or limited any more so than as is generally the case with respect to Persons engaged in the same or similar lines of business. Each such approval, permit, license, consent, authorization, franchise, or certificate was duly and validly granted or issued, is in full force and effect, and, as of the Closing Date, neither has been, nor has been threatened to be, amended, modified, suspended, rescinded, revoked, forfeited, or assigned. Further, as of the Closing Date, no condition(s) exist(s) or event(s) has (have) occurred that, with the giving of notice or lapse of time or both, could result in the amendment, modification, suspension, rescission, revocation, forfeiture, or non-renewal of any such approval, permit, license, consent, authorization, franchise, or certificate.

Section 4.29 Vessels.

(a) Set forth on Schedule 4.29 is a complete and accurate list, as of the date hereof, of all Vessels owned by the Loan Parties, showing as of the date hereof with respect to each such Vessels the following: (i) the name of the Vessel; (ii) the name of the Registered Owner of the Vessels; (iii) to the extent applicable, the American Bureau of Shipping certification number; (iv) the date of the most recent United States Coast Guard inspection and/or ABS Survey; and (v) to the extent applicable, the next scheduled inspection date.

(b) Each such Vessel identified on Schedule 4.29 is: (i) to the extent required in order to operate in the service in which such Vessel is operating, classified in the highest classification for vessels of the same age and type in the American Bureau of Shipping required to be maintained in order to operate in such service and is in class without recommendation (except for recommendations which, when aggregated with recommendations for all Vessels, could not reasonably be expected to have a Material Adverse Effect); (ii) documented under the laws of the United States to permit such Vessel to operate in the coastwise trade; (iii) covered by hull and

contested in good faith and by proper proceedings and adequate reserves as determined by the Administrative Agent are being maintained with respect to such circumstances.

Section 5.4 Intentionally Omitted.

Section 5.5 Maintenance of Insurance.

(a) Maintain, and cause each of their Subsidiaries to maintain, insurance with responsible and reputable insurance companies or associations (including clubs) in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which such Borrower or such Subsidiary operates and, with respect to each Vessel owned by the applicable the Loan Party, hull and machinery, protection and indemnity and mortgagee's interest insurance in accordance with the requirements of the Preferred Ship Mortgage covering such Vessel; (b) file with the Administrative Agent upon its request a detailed list of the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby; and (c) deliver to the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent, endorsements to (A) with respect to assets other than the Vessels, all "all-risk" and casualty insurance policies naming the Administrative Agent, on behalf of itself and the Lenders, as loss payee if permitted thereunder insuring in the case of "all-risk" against loss or damage by fire, lightening, windstorm, explosion, hail, tornado, and (B) all general liability and other liability policies naming the Administrative Agent, on behalf of itself and the Lenders, as additional insured if permitted thereunder without material additional cost to the Borrower, and providing, in any event, that such insurance policies shall not be canceled without thirty (30) days' prior written notice thereof by the respective insurer to the Administrative Agent and shall contain standard non-contributory mortgagee clause endorsement in favor of the Administrative Agent with respect to hazard insurance coverage; provided, however, that clause (c) of this Section 5.5 shall not be applicable with respect to the Old Moran Entities until the Term A Draw Date.

Section 5.6 Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, except as permitted by Section 6.4, its existence, legal structure, legal name, and material rights (charter and statutory), permits, licenses, approvals, privileges and franchises.

Section 5.7 Visitation Rights.

(a) At any reasonable time and from time to time during normal business hours, upon reasonable notice, permit the Administrative Agent, or, upon the occurrence and during the continuance of a Default, the Lender Parties, or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of and visit the properties of the Borrower and its Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and any such Subsidiaries with any of their officers or directors.

appropriate to grant Administrative Agent a perfected Lien in such Collateral (or comparable interest under foreign law in the case of foreign Collateral) pursuant to and to the full extent required by the Collateral Documents and this Agreement.

(b) Promptly, and in any event no later than thirty (30) days after a request with respect thereto, cause each of the Borrower's direct and indirect Subsidiaries (other than the Garbage Subsidiary or any Subsidiary of the Garbage Subsidiary, and Moran Insurance) as the Administrative Agent shall request to become party to, or to execute and deliver, a Subsidiary Guaranty, guarantying to the Administrative Agent and the Lenders the prompt payment, when and as due, of all Obligations of the Loan Parties under the Loan Documents, including all obligations under any Hedge Agreements or other hedging agreements.

(c) Promptly, and in any event no later than thirty (30) days after a request with respect thereto, cause each Guarantor created or established after the date hereof to grant to the Administrative Agent, for the ratable benefit of the Lenders, a first priority Lien on all property (tangible and intangible) of such Guarantor, including, without limitation, all of the capital stock of any of its Domestic Subsidiaries and 65% of the stock of any of its Foreign Subsidiaries, upon terms similar to those set forth in the Collateral Documents and otherwise satisfactory in form and substance to Administrative Agent. The Borrower shall cause each Guarantor, at its own expense, to become a party to a Security Agreement, an Intellectual Property Security Agreement, a Preferred Ship Mortgage and any other Collateral Document and to execute, acknowledge and deliver, or cause the execution, acknowledgment and delivery of, and thereafter register, file or record in any appropriate governmental office, any document or instrument reasonably deemed by Administrative Agent to be necessary or desirable for the creation and perfection of the foregoing Liens (including legal opinion, consents, corporate documents and any additional or substitute security agreements or mortgages). The Borrower will cause each such Guarantor to take all actions requested by Administrative Agent (including, without limitation, the filing of UCC-1's) in connection with the granting of such security interests.

(d) Promptly, and in any event not later than thirty (30) days after a request with respect thereto, (i) deliver to the Administrative Agent the original of all instruments, documents and chattel paper, and all other Collateral of which the Administrative Agent determines it should have physical possession in order to perfect and protect its security interest therein, duly pledged, endorsed or assigned to the Administrative Agent without restriction; (ii) when an Event of Default exists, transfer Inventory to locations designated by the Administrative Agent; (iii) if an Event of Default has occurred and is continuing, if any Collateral is at any such time in the possession or control of any warehousemen, bailee or the Borrower's agents or processors, notify the Administrative Agent thereof and notify such person of the Administrative Agent's security interest in such Collateral and obtain a landlord waiver or bailee letter, in form and substance satisfactory to the Administrative Agent, from such person and instruct such person to hold all such Collateral for the Administrative Agent's account subject to the Administrative Agent's instructions; (iv) if an Event of Default has occurred and is continuing, if at any time any Inventory or other Collateral is located on any real property of the Borrower which is subject to a mortgage or other Lien, obtain a

Agent, the Loan Parties shall provide evidence to the reasonable satisfaction of the Administrative Agent of such year 2000 compatibility.

Section 5.17 Certain Affirmative Covenants Relating to the Vessels.

(a) Promptly after the date hereof, cause, and cause each of its Subsidiaries to cause, a certified copy of each of the Preferred Ship Mortgages, together with a notice thereof, to be placed aboard each of the Mortgaged Vessels owned by it, and with respect to each, furnish the Administrative Agent with copies of the masters' signed receipts therefor.

(b) Maintain the Vessels (which are required to be classed in order to operate in the service in which they are operating) in the highest classification required to be maintained in order to operate in such service for vessels of like age and type by the American Bureau of Shipping or any other classification society reasonably satisfactory to the Administrative Agent.

(c) Permit the Administrative Agent to have the Vessels owned by the Borrower or any of its Subsidiaries surveyed by marine engineers or other surveyors selected by the Administrative Agent, in its sole discretion, at such times and with such frequency as the Administrative Agent may reasonably request (but, except with respect to the Visual Survey required to be delivered prior to the initial Put Payment as provided in Section 6.7(e), not more frequently than three years after the most recently completed survey and inspection). The costs of such surveys and inspections shall be allocated as follows: (i) so long as no Event of Default has occurred and is continuing, the cost of one such survey and inspection every three years shall be borne by the Borrower, and (ii) whenever an Event of Default exists hereunder, the costs of all surveys (including, without limitation, Visual Surveys) and inspections shall be borne by the Borrower.

ARTICLE 6
NEGATIVE COVENANTS

While any of the Commitments is outstanding and, in the event any Advance remains outstanding, so long as the Borrower or any other Loan Party is indebted to any of the Lender Parties or the Administrative Agent under any of the Loan Documents, any Letter of Credit is outstanding and until payment in full of the Notes and full and complete performance of all of its other obligations arising hereunder, the Borrower covenants that it will not, at any time, and will not permit any Loan Party to do, agree to do or permit to be done, any of the following without the prior written consent of the Required Lenders:

Section 6.1 Liens, Etc. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Lien on or with respect to any of its properties of any character (including, without limitation, Accounts, Inventory and other Collateral) whether now owned or hereafter acquired, or sign or file or suffer to exist, or permit any of its Subsidiaries to sign or file or suffer to exist, under the Uniform Commercial Code or any other

(k) Liens of lessors and/or shipowners under operating leases and charters and Liens of consignors and bailors.

Section 6.2 Debt. Create, incur, assume or suffer to exist, or permit any of its Subsidiaries to create, incur, assume or suffer to exist, any Debt other than:

(a) In the case of the Borrower, Debt incurred pursuant to, or permitted or otherwise contemplated by or expressly disclosed in, the Loan Documents;

(b) In the case of any of the Subsidiaries of the Borrower, Debt owed to the Borrower or to a Wholly-Owned Subsidiary of the Borrower, or Debt owed by the Borrower to any Guarantor;

(c) In the case of the Borrower and any of its Subsidiaries:

(i) (A) Debt secured by (1) Liens permitted by Section 6.1(d), and (2) Capitalized Leases, collectively not to exceed in the aggregate \$25,000,000 at any time outstanding, and (B) in addition to the other Debt permitted under this Section 6.2, Debt in an aggregate amount not to exceed \$1,500,000 outstanding at any time;

(ii) endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

(iii) the Surviving Debt (other than the Debt in respect of the Senior Notes), and any Debt extending the maturity of, or refunding or refinancing, in whole or in part, such Surviving Debt; provided, that the terms of any such extending, refunding or refinancing Debt, and of any agreement entered into and of any instrument issued in connection therewith, are consented to in writing by the Administrative Agent, with the approval of the Required Lenders, and otherwise permitted by this Agreement and the other Loan Documents; and, provided, further, that the principal amount of such Surviving Debt shall not be increased above the principal amount thereof permitted to be outstanding after the Initial Extension of Credit, and the direct and contingent obligors therefor shall not be changed, as a result of or in connection with such extension, refunding or refinancing; and

(iv) Debt in respect of the Senior Notes, provided such Debt is redeemed or otherwise repaid in full on or prior to the Term A Facility Termination Date.

Section 6.3 Intentionally Omitted.

Section 6.4 Fundamental Changes.

(a) Merge into or consolidate with any Person or permit any Person to merge into it, or permit any of its Subsidiaries to do so, except that so long as no Default or Event of Default

Section 6.6 Investments in Other Persons. Make or hold, or permit any of its Subsidiaries to make or hold, any Investment in any Person other than:

(a) Investments by the Borrower and its Subsidiaries in their Subsidiaries outstanding on the date hereof and additional investments in Wholly-Owned Subsidiaries of the Borrower that are Guarantors; provided, however, that, notwithstanding the foregoing, (x) during the period from the Closing Date to and including the Term A Draw Date the Borrower may make Investments in the Old Moran Entities in an aggregate amount not to exceed \$15,000,000 and (y) the Borrower may make Investments in the Garbage Subsidiary but solely to the extent expressly permitted, and subject to the limitations set forth, in clause (i) of this Section 6.6; and, provided, further, that with respect to Investments in any newly acquired or created Wholly-Owned Domestic Subsidiary (other than the Garbage Subsidiary), any such Subsidiary shall become a Guarantor pursuant to the terms of the Subsidiary Guaranty and an additional grantor pursuant to the terms of the Security Agreement and Intellectual Property Security Agreement;

(b) Loans and advances to officers and other employees in the ordinary course of the business of the Borrower and its Subsidiaries in an aggregate principal amount not to exceed \$500,000 at any time outstanding;

(c) Investments by the Borrower and its Subsidiaries in Cash Equivalents;

(d) Investments by the Borrower and its Subsidiaries in Bank Hedge Agreements expressly permitted under Section 5.14, Hedge Agreements with respect to purchase money Liens and Capitalized Lease Obligations permitted hereunder and with respect to fuel used in the business of the Borrower and its Subsidiaries;

(e) Investments consisting of intercompany Debt permitted under Section 6.2(b) and other applicable Debt permitted under Section 6.2(b);

(f) Investments existing on the date hereof and described on Schedule 6.6(f) hereto;

(g) Investments by the Borrower and its Subsidiaries in deposit accounts opened in the ordinary course of business;

(h) Investments consisting of accounts receivable in the ordinary course of business;

(i) At any time after the full redemption of the Senior Notes, Investment (in the form of a capital contribution (which may be from the proceeds of a Revolving Credit Advance) (the "**Garbage Investment**") by the Borrower in a to be newly created Wholly-Owned Subsidiary owned directly or indirectly by the Borrower (the "**Garbage Subsidiary**") in an amount not to exceed \$12,500,000 less the aggregate amount of all Investments theretofore made under subsection

terms of the Stockholders Agreement (as defined in the Moran Acquisition Agreement) (the "Put Payments"); provided, however, that (x) no such Put Payments shall be made to such Initial Turecamo Stockholders or their Permitted Transferees at any time prior to April 1, 2001 and (y) no such Put Payments shall be made to such Initial Turecamo Stockholders and their Permitted Transferees who are employees of the Borrower or any of its Subsidiaries at any time prior to April 1, 2003; provided, further, that the Borrower shall not be permitted to make such Put Payments unless (A) (x) in the case of the first Put Payment, a new Visual Survey is delivered to the Administrative Agent and the Lender Parties and (y) in the case of any subsequent Put Payments, a Desk Top Appraisal is delivered to the Administrative Agent and the Lender Parties; provided, however, that, in the case of clause (y) above, if the most recent Visual Survey is more than three (3) years old at the time any such Put Payments are to be made, then a new Visual Survey must be completed and delivered to the Administrative Agent and the Lender Parties prior to the making of such Put Payments; (B) the Borrower is in compliance, on a pro forma basis, with each of the financial covenants set forth in Section 6.17 and Article 8, after giving effect to the making of the Put Payments; and (C) the Unused Revolving Credit Commitment is an amount equal to or greater than \$10,000,000, after giving effect to the making of the Put Payments. Notwithstanding the foregoing, in the case of the death or disability (as used or defined in the Stockholders Agreement) of an Initial Turecamo Stockholder, the restrictions set forth in the provisos in this clause (e) shall not be applicable with respect to any Put Payments to be made to such deceased or disabled (as used or defined in the Stockholders Agreement) Initial Turecamo Stockholder;

(f) The Borrower may redeem or repurchase its capital stock held by any of the Moran Individuals and may make Compensation Payments to the Moran Individuals in respect of such redemption or purchase, but solely to the extent expressly permitted under, and subject to the limitations set forth in, Section 6.19; and

(g) The Borrower or its Subsidiaries may make distributions or payments to the Initial Turecamo Stockholders in an amount equal to (i) the aggregate Tax Distributions (as defined in the Moran Acquisition Documents) in respect of the period from January 1, 1998 through the date of closing of the transactions as contemplated by the Moran Acquisition Agreement minus (ii) all Tax Distributions previously distributed by the Borrower or its Subsidiaries to the Initial Turecamo Stockholders in respect of the period from January 1, 1998 through the date of closing of the transactions as contemplated by the Moran Acquisition Agreement pursuant to the Moran Acquisition Documents.

Section 6.8 Change in Nature of Business. Make, or permit any of its Subsidiaries to make, any material change in the nature of its business, taken as a whole, as carried on at the date hereof.

Section 6.9 Charter Amendments. Amend, or permit any of its Subsidiaries to amend, its certificate or articles of incorporation or bylaws if such amendment could reasonably be expected to impair the interests or rights of the Administrative Agent or any Lender Party.

assignment in customer contracts; (ii) restrictions under operating leases and/or charters (under which charters the Borrower or any Subsidiary charters a vessel from the shipowner) and which restrictions relate to the leased property or chartered vessel, and (iii) restrictions under agreements or instruments relating to Debt permitted under Section 6.2(c)(i) provided such restrictions relate only to the property purchased with the applicable purchase money Debt or to the property which is the subject of the Capitalized Lease, as the case may be.

Section 6.15 Partnerships, New Subsidiaries.

(a) Become a general partner in any general or limited partnership or joint venture, or permit any of its Subsidiaries to do so except with respect to the Garbage Investment and Investments permitted under Section 6.6(f) or 6.6(k), or

(b) Create any new Subsidiary, unless such newly created Subsidiary shall become a Guarantor pursuant to the terms of the Subsidiary Guaranty and an additional grantor pursuant to the terms of the Security Agreement and Intellectual Property Security Agreement and all shares of the capital stock of such Subsidiary are pledged to the Administrative Agent pursuant to the Security Agreement; provided, however, that the Garbage Subsidiary (or any Subsidiary thereof) and Moran Insurance shall not be required to be a Guarantor under the Subsidiary Guaranty or an additional grantor under the Security Agreement and Intellectual Property Security Agreement.

Section 6.16 Speculative Transactions. Engage, or permit any of its Subsidiaries to engage, in any transaction involving commodity options or futures contracts or derivatives or any similar speculative transactions, except for (i) Bank Hedge Agreements expressly permitted under Section 5.14; (ii) Hedge Agreements with respect to permitted purchase money Debt and permitted Capitalized Lease Obligations, and (iii) Hedge Agreements with respect to fuel used in the business of the Borrower and its Subsidiaries;

Section 6.17 Investment Capital Expenditures. Make, or permit any of its Subsidiaries to make, any Investment Capital Expenditures that would cause the aggregate of all such Investment Capital Expenditures made by the Borrower and its Subsidiaries in any period set forth below to exceed the amount set forth below for such period:

<u>Period</u>	<u>Amount</u>
Fiscal Year 1998	\$24,500,000
Fiscal Year 1999 and each Fiscal Year thereafter	\$15,000,000

provided, however, that amounts permitted to be expended in a Fiscal Year that are not expended in such Fiscal Year, but not in excess of \$5,000,000 of such prior year's unused amount (not including any amount permitted to be carried forward from a prior year) shall be permitted to be

Section 7.3 Quarterly Financials. As soon as available and in any event within (x) with respect to the period commencing on the Closing Date and ending on the last day of the second full fiscal quarter thereafter, sixty (60) days after the end of such two fiscal quarters, and (y) thereafter, forty-five (45) days after the end of each fiscal quarter of each Fiscal Year:

(a) a consolidated (or combined, as applicable) balance sheet of the Borrower and its Subsidiaries, as of the end of such quarter and a consolidated (or combined, as applicable) statement of income and a consolidated (or combined, as applicable) statement of cash flows of the Borrower and its Subsidiaries, for the period commencing at the end of the previous fiscal quarter and ending with the end of such fiscal quarter; and

(b) a consolidated (or combined, as applicable) statement of income and a consolidated (or combined, as applicable) statement of cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous Fiscal Year and ending with the end of such fiscal quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding Fiscal Year and the corresponding figures from the budgets for such period and for the Fiscal Year which includes such period,

all of the foregoing in reasonable detail and duly certified, on behalf of the Borrower, by the chief financial officer of the Borrower as having been prepared in accordance with GAAP (subject to normal year-end audit adjustments), together with (i) a Compliance Certificate of said officer stating, inter alia, on behalf of the Borrower, that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower has taken and proposes to take with respect thereto and (ii) a schedule in form satisfactory to the Administrative Agent of the computations used by the Borrower in determining compliance with the financial covenants contained in Article 8, provided, that in the event of any change in GAAP used in the preparation of such financial statements, the Borrower shall also provide, if necessary for the determination of compliance with Article 8, a statement of reconciliation conforming such financial statements to GAAP.

Section 7.4 Annual Financials. As soon as available and in any event within (x) with respect to the Fiscal Year ending December 31, 1998, one hundred twenty (120) days after the end of such Fiscal Year, and (y) thereafter, ninety (90) days after the end of each Fiscal Year, a copy of the annual audit report for such year for the Borrower and its Subsidiaries, including therein a consolidated (or combined, as applicable) balance sheet of the Borrower and its Subsidiaries, as of the end of such Fiscal Year and a consolidated (or combined, as applicable) statement of income and a consolidated (or combined, as applicable) statement of cash flows of the Borrower and its Subsidiaries, for such Fiscal Year, in each case setting forth in comparative form (in accordance with GAAP) the corresponding figures for the prior Fiscal Year and in each case accompanied by an unqualified opinion of an independent certified public accountant of recognized national standing reasonably acceptable to the Administrative Agent, together (except for the fiscal year ending December 31, 1998) with (a) a letter of such accounting firm to the Administrative Agent and Lender Parties stating that in the course of the regular audit of the business of the Borrower and its

Section 7.10 Annual Plan Summaries. Promptly after same is requested by the Administrative Agent, an annual summary of actuarial valuation and other information with respect to each Plan in form, substance and detail reasonably satisfactory to the Administrative Agent.

Section 7.11 Multiemployer Plan Notices. Promptly and in any event within five (5) Business Days after receipt thereof by any Loan Party or any ERISA Affiliate from the sponsor of a Multiemployer Plan, copies of each notice concerning, or other correspondence with respect to, (i) the imposition of Withdrawal Liability by any such Multiemployer Plan, (ii) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan or (iii) the amount of liability incurred, or that may be incurred, by such Loan Party or any ERISA Affiliate in connection with any event described in clause (i) or (ii).

Section 7.12 Litigation. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, Federal, state, local or foreign, affecting any Loan Party or any of its Subsidiaries which would reasonably be expected to have a Material Adverse Effect and, promptly after the occurrence thereof, notice of any change in the status or the financial effect on any Loan Party or any of its Subsidiaries of the Disclosed Litigation from that described on Schedule 4.9 that could reasonably be expected to have a Material Adverse Effect.

Section 7.13 Securities Reports. Promptly after the sending or filing thereof, copies of all proxy statements, financial statements and reports that any Loan Party or any of its Subsidiaries sends to its stockholders, and copies of all regular, periodic and special reports, and all registration statements, that any Loan Party or any of its Subsidiaries files with the Securities and Exchange Commission or any other governmental authority or with any national securities exchange.

Section 7.14 Creditor Reports. Promptly after the furnishing thereof, copies of any statement or report furnished to any other holder of the securities of any Loan Party or of any of its Subsidiaries pursuant to the terms of any indenture, loan or credit agreement or similar agreement or instrument and not otherwise required to be furnished to the Lender Parties pursuant to any other clause of this Article 7.

Section 7.15 Intentionally Omitted.

Section 7.16 Revenue Agent Reports. Promptly after same is requested by the Administrative Agent, copies of all Revenue Agent Reports (Internal Revenue Service Form 886), or other written proposals of the Internal Revenue Service, that propose, determine or otherwise set forth any adjustments to the Federal income tax liability of the affiliated group (within the meaning of Section 1504(a)(1) of the Internal Revenue Code) of which the Borrower is a member aggregating \$250,000 or more.

Section 7.17 Environmental Conditions. Promptly after the assertion or occurrence thereof, notice of any Environmental Action against or of any noncompliance by any Loan Party or

ARTICLE 8
FINANCIAL COVENANTS

So long as any Advance shall remain unpaid, any Letter of Credit shall be outstanding or any Lender Party shall have any Commitment hereunder, the Borrower will:

Section 8.1 Consolidated Funded Debt to EBITDA Ratio. Maintain as of the end of each fiscal quarter of the Borrower a ratio of Consolidated Funded Debt to EBITDA for the most recently completed four fiscal quarters of the Borrower of not more than the ratio set forth below:

<u>Four Fiscal Quarters ending on:</u>	<u>Ratio</u>
December 31, 1998	4.00 to 1.00
March 31, 1999	4.00 to 1.00
June 30, 1999	4.00 to 1.00
September 30, 1999	3.75 to 1.00
December 31, 1999	3.75 to 1.00
March 31, 2000	3.75 to 1.00
June 30, 2000	3.50 to 1.00
September 30, 2000	3.50 to 1.00
December 31, 2000	3.50 to 1.00
March 31, 2001	3.50 to 1.00
June 30, 2001	3.25 to 1.00
September 30, 2001	3.25 to 1.00
December 31, 2001 and each March 31, June 30, September 30 and December 31 thereafter	3.00 to 1.00

Section 8.2 Interest Coverage Ratio. Maintain as of each date set forth below, a ratio of (i) EBITDA for the most recently completed four fiscal quarters of the Borrower to (ii) Consolidated cash Interest Expense for such period of not less than the ratio set forth below for such period:

<u>Four Fiscal Quarters ending on:</u>	<u>Ratio</u>
December 31, 1998	2.50 to 1.00

December 31, 2001	1.25 to 1.00
March 31, 2002 and each June 30, September 30, December 31 and March 31 thereafter	1.15 to 1.00

Section 8.4 Minimum Net Worth. Maintain, as of the last day of each fiscal quarter, an excess of Consolidated total assets over Consolidated total liabilities in accordance with GAAP, of the Borrower and its Subsidiaries of not less than (i) eighty-five percent (85%) of the excess of Consolidated total assets over Consolidated total liabilities of the Borrower and its Subsidiaries at the Closing Date plus (ii) 100% of Consolidated positive net income of the Borrower and its Subsidiaries as at March 31, and each June 30, September 30, December 31 and March 31 thereafter computed on a cumulative basis for said entire period.

For purposes of determining net worth in this Section 8.4, (i) the following shall be excluded from the determination of such net income: (A) 100% of Consolidated net gain or loss on the sale or other disposition of any Vessel owned by the Borrower or any of its Subsidiaries; provided, however, that, with respect to any loss of such Vessels owned by the Borrower or any of its Subsidiaries, such loss shall be net of any insurance payments received in connection with such loss, (B) any redemption premiums or charges for deferred costs incurred in connection with the Senior Notes and/or the redemption thereof, (C) the Compensation Payments and (D) any Put Payments to the extent expressly permitted to be made under clause (e) of Section 6.7; and (ii) the liquidation value, determined as of the date of determination of net worth, of the non-redeemable preferred stock of the Borrower held by the holders of such preferred stock as of the Closing Date, together with any such preferred stock acquired by employees upon the exercise of stock options or acquired by the Turecamo Stockholders pursuant to the indemnity provisions of the Moran Acquisition Agreement (the "**Non-Redeemable Preferred Stock**") and the capital stock subject to redemption in connection with the Put Payments and/or the Compensation Payments shall be included in such determination as shareholders equity.

ARTICLE 9
EVENTS OF DEFAULT

If any of the following ("**Events of Default**") shall occur and be continuing:

Section 9.1 Payment. (a) The Borrower shall fail to pay any principal of any Advance when the same shall become due and payable or (b) the Borrower shall fail to pay any interest on any Advance, or any Loan Party shall fail to make any other payment under any Loan Document, in each case under this clause (b) within five (5) Business Days after the same becomes due and payable;
or

Section 9.7 Judgments. Any judgment or order for the payment of money in excess of \$1,000,000 (excluding that portion of such a judgment or order which is fully covered by insurance for which the appropriate insurer has acknowledged responsibility in writing) shall be rendered against any Loan Party or any of its Subsidiaries and such judgments or orders shall not have been vacated or discharged within 30 days from entry thereof and the Borrower shall not, within said period of 30 days, or such longer period during which execution of the same shall have been stayed, appeal therefrom and cause the execution thereof to be stayed pending such appeal; or

Section 9.8 Loan Documents. Any material provision of any Loan Document after delivery thereof shall for any reason cease to be valid and binding on or enforceable against any Loan Party which is party to it, or any such Loan Party shall so state in writing; or

Section 9.9 Liens. Any Collateral Document after delivery thereof shall for any reason (other than failure to file continuation statements or other circumstances not the fault of the Borrower) cease to or otherwise not create a valid and perfected first and only priority lien, subject to any Lien permitted hereunder, on and security interest in all material Collateral purported to be covered thereby; or

Section 9.10 Change of Control. Any Change of Control shall occur; or

Section 9.11 ERISA Events.

(a) Any ERISA Event shall have occurred with respect to a Plan and the sum (determined as of the date of occurrence of the last such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Loan Parties and the ERISA Affiliates related to such ERISA Events) which could reasonably be expected to have a Material Adverse Effect; or

(b) Any Loan Party or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount that, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Loan Parties and the ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), could reasonably be expected to have a Material Adverse Effect; or

(c) Any Loan Party or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Loan Parties and the ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or

If any Event of Default shall have occurred and be continuing, the Administrative Agent may, or shall at the request of the Required Lenders, irrespective of whether it is taking any of the actions described in Article 9 or otherwise, make demand upon the Borrower to, and forthwith upon such demand the Borrower will, pay to the Administrative Agent on behalf of the Lender Parties in same day funds at the Administrative Agent's office designated in such demand, for deposit in the L/C Cash Collateral Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding. If at any time the Administrative Agent determines that any funds held in the L/C Cash Collateral Account are subject to any prior right or claim of any Person other than the Administrative Agent and the Lender Parties or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrower will, forthwith upon demand by the Administrative Agent, pay to the Administrative Agent, as additional funds to be deposited and held in the L/C Cash Collateral Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Cash Collateral Account that the Administrative Agent determines to be free and clear of any such right and claim.

ARTICLE 10 **THE ADMINISTRATIVE AGENT**

Section 10.1 Authorization and Action.

(a) Each Lender Party (in its capacities as a Lender, the Issuing Bank and/or any Hedge Bank) hereby appoints the Administrative Agent as such and as "Trustee" under the Preferred Ship Mortgages and authorizes it to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents (including the Preferred Ship Mortgages) as are delegated to it by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto. The Administrative Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and the other Loan Documents and shall not be a fiduciary for any Lender Party or Hedge Bank.

(b) As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Notes), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lender Parties and all holders of Notes and any action taken or failure to act pursuant thereto shall be binding on all the Lender Parties; provided, however, that the Administrative Agent shall not be required to take any action that exposes the Administrative Agent to personal liability or that is contrary to this Agreement, any other Loan Document or applicable law and except for action expressly required by the Administrative Agent hereunder or under the Loan Documents, the Administrative Agent shall in all cases be fully justified in failing or refusing to act hereunder or thereunder unless it shall be indemnified to its satisfaction by the Lender Parties and Hedge Banks against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action.

information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

Section 10.5 Indemnification.

(a) Each Lender Party severally agrees to indemnify the Administrative Agent (to the extent not promptly reimbursed by the Borrower) from and against such Lender Party's ratable share (determined as provided below) of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Administrative Agent in any way relating to or arising out of any of the Loan Documents or any transaction contemplated hereby and thereby or any action taken or omitted by the Administrative Agent under any of the Loan Documents; provided, however, that no Lender Party shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements to the extent resulting from the Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender Party agrees to reimburse the Administrative Agent promptly upon demand for its ratable share of any costs and expenses (including, without limitation, fees and expenses of counsel) payable by the Borrower under Section 11.4, to the extent that the Administrative Agent is not promptly reimbursed for such costs and expenses by the Borrower.

(b) Each Lender Party severally agrees to indemnify the Issuing Bank (to the extent not promptly reimbursed by the Borrower) from and against such Lender Party's ratable share (determined as provided below) of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against the Issuing Bank in any way relating to or arising out of any of the Loan Documents or any action taken or omitted by the Issuing Bank under any of the Loan Documents; provided, however, that no Lender Party shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Issuing Bank's gross negligence or willful misconduct. Without limitation of the foregoing, each Lender Party agrees to reimburse the Issuing Bank promptly upon demand for its ratable share of any costs and expenses (including, without limitation, fees and expenses of counsel) payable by the Borrower under Section 11.4, to the extent that the Issuing Bank is not promptly reimbursed for such costs and expenses by the Borrower.

(c) For purposes of Sections 10.5(a) and 10.5(b), the Lender Parties' respective ratable shares of any amount shall be determined, at any time, according to the sum of (i) the aggregate principal amount of the Advances outstanding at such time and owing to the respective Lender Parties, (ii) their respective Pro Rata Shares of the aggregate Available Amount of all Letters of Credit outstanding at such time, (iii) the aggregate unused portions of their respective Term A Commitments and Term B Commitments at such time and (iv) their respective Unused Revolving Credit Commitments at such time; provided, that the aggregate principal amount of Letter of Credit Advances owing to the Issuing Bank shall be considered to be owed to the Revolving Credit Lenders

purported to be granted by the Collateral Documents, such successor Administrative Agent shall succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Administrative Agent as to such Facilities, other than with respect to funds transfers and other similar aspects of the administration of Borrowings under such Facilities, issuances of Letters of Credit (notwithstanding any resignation as Administrative Agent with respect to the Letter of Credit Facility) and payments by the Borrower in respect of such Facilities, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement as to such Facilities, other than as aforesaid. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent as to all of the Facilities, the provisions of this Article 10 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent as to any Facilities under this Agreement.

Anything contained in this Section 10.6 to the contrary notwithstanding, no Person may become a successor Administrative Agent or Mortgagee under the Preferred Ship Mortgages unless it is a Coastwise Citizen.

The Administrative Agent (and each successor Administrative Agent) hereby represents and warrants that it is a Coastwise Citizen and covenants that it will maintain its status as a Coastwise Citizen.

Section 10.7 Events of Default. The Administrative Agent shall not be deemed to have knowledge of the occurrence of a Default (other than the non-payment of principal of or interest on Loans) unless the Administrative Agent has received notice from a Lender or the Borrower specifying such Default and stating that such notice is a "Notice of Default". In the event that the Administrative Agent receives such a notice of the occurrence of a Default, the Administrative Agent shall give notice thereof to the Lenders (and shall give each Lender notice of each such non-payment). The Administrative Agent shall (subject to Section 10.1(b) hereof) take such action with respect to such Default as shall be directed by the Required Lenders.

ARTICLE 11 **MISCELLANEOUS**

Section 11.1 Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes or any other Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed (or, in the case of the Collateral Documents, consented to) by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that (a) no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders (other than any Lender Party that is, at such time, a Defaulting Lender), do any of the following at any time: (i) change the percentage of (A) the Commitments, (B) the aggregate unpaid principal amount of the Advances or (C) the aggregate Available Amount of outstanding

Facsimile No.: (203) 348-5777

(b) if to the Administrative Agent:

Fleet Bank, N.A.
1185 Avenue of the Americas
New York, New York 10036
Attention: Robert A. Isaksen
Telephone No.: (212) 819-5754
Facsimile No.: (212) 819-4110

with a copy to:

Winston & Strawn
200 Park Avenue
New York, New York 10166
Attention: Richard S. Talesnick, Esq.
Telephone No.: (212) 294-6729
Facsimile No.: (212) 294-4700

(c) if to any Initial Lender or the Initial Issuing Bank, at its Domestic Lending Office specified opposite its name on Schedule I attached hereto.

(d) if to any other Lender Party, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender Party;

or, as to the Borrower or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent. All such notices and communications shall, (i) when mailed by certified mail, return receipt requested, be effective three (3) days after mailing, (ii) when telegraphed, telecopied or telexed be effective upon delivery to the telegraph company, upon transmission by telecopier or upon confirmation by telex answerback, (iii) when delivered in person, be effective when delivered, and (iv) when delivered by overnight courier, be effective two (2) Business Days after delivery to the courier properly addressed, except that notices and communications to the Administrative Agent pursuant to Article 2, 3 or 10 shall not be effective until received by the Administrative Agent. Delivery by telecopier of an executed counterpart of this Agreement, the Notes or any other Loan Document or of any Exhibit hereto or thereto or of any amendment or waiver of any provision thereof shall be as effective as delivery of a manually executed counterpart thereof.

Section 11.3 No Waiver; Remedies; Counterclaims. No failure on the part of any Lender Party or the Administrative Agent to exercise, and no delay in exercising, any right hereunder or under any Note or under any other Loan Document shall operate as a waiver thereof, nor shall any

Acquisition or any other acquisition or proposed acquisition or similar business combination or proposed business combination by the Borrower or any of its Subsidiaries or other Affiliates of all or any portion of the shares of capital stock or substantially all of the property and assets of any other Person or any acts, practices or omissions of the Borrower, any of its Subsidiaries or its agents related thereto, or any withdrawals, termination or cancellation of any such proposed transaction for any reason, (iii) the Facilities, the actual or proposed use of the proceeds of the Advances or the Letters of Credit by the Borrower or any of its Subsidiaries or other Affiliates and any of the other transactions contemplated by the Loan Documents, or (iv) the actual or alleged presence of Hazardous Materials on any property of any Loan Party or any of its Subsidiaries or any Environmental Action relating in any way to any Loan Party or any of its Subsidiaries, in each case whether or not such investigation, litigation or proceeding is brought by any Loan Party, its directors, officers, employees, stockholders or creditors or an Indemnified Party or any Indemnified Party is otherwise a party thereto and whether or not the Transaction or any other transaction contemplated hereby is consummated, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful misconduct. The Borrower also agrees not to assert any claim against the Administrative Agent, any Lender Party or any of their respective Affiliates, or any of their respective officers, directors, employees, attorneys and agents, on any theory of liability, for punitive damages arising out of or otherwise relating to the Moran Acquisition, the Facilities, the actual or proposed use of the proceeds of the Advances or the Letters of Credit, the Loan Documents or any of the Transaction or other transactions contemplated thereby.

(c) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance is made by the Borrower to or for the account of a Lender Party other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.9(b)(i) or 2.10(d) or a prepayment pursuant to Section 2.6(a) or (b), acceleration of the maturity of the Notes pursuant to Article 9 or for any other reason, the Borrower shall, upon demand by such Lender Party (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender Party any amounts required to compensate such Lender Party for any additional losses, costs or expenses that it may reasonably incur as a result of such payment, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or re-employment of deposits or other funds required by any Lender Party to fund or maintain such Advance.

(d) If any Loan Party fails to pay when due any costs, expenses or other amounts payable by it under any Loan Document, including, without limitation, fees and expenses of counsel and indemnities, such amount may be paid on behalf of such Loan Party by the Administrative Agent, in its sole discretion.

(e) Without prejudice to the survival of any other agreement of any Loan Party hereunder or under any other Loan Document, the agreements and obligations of the Borrower contained in Sections 2.10 and 2.12 and this Section 11.4 shall survive the payment in full of

but in any event not later than 90 days following the Closing Date, (iv) no such assignment shall be permitted if, immediately after giving effect thereto, the Borrower would be required to make payments to or on behalf of the assignee Lender Party pursuant to Section 2.10(a) or (b) and the assignor Lender Party was not, at the time of such assignment, entitled to receive any payment pursuant to Section 2.10(a) or (b), and (v) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note or Notes subject to such assignment and a processing and recordation fee of \$3,500.

(b) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (x) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lender or Issuing Bank, as the case may be, hereunder and (y) the Lender or Issuing Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's or Issuing Bank's rights and obligations under this Agreement, such Lender or Issuing Bank shall cease to be a party hereto).

(c) By executing and delivering an Assignment and Acceptance, the Lender Party assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender Party makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, this Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto or thereto; (ii) such assigning Lender Party makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Borrower or any other Loan Party or the performance or observance by any Loan Party of any of its obligations under any Loan Document or any other instrument or document furnished pursuant thereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.6 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Administrative Agent, such assigning Lender Party or any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Assignee; (vi) such assignee appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents as are delegated to the Administrative Agent by the terms hereof and thereof, together with such powers and

remain unchanged, (ii) such Lender Party shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender Party shall remain the holder of any such Note for all purposes of this Agreement, (iv) the Borrower, the Administrative Agent and the other Lender Parties shall continue to deal solely and directly with such Lender Party in connection with such Lender Party's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment, waiver or other modification of any provision of this Agreement or any other Loan Document, or any consent to any departure by any Loan Party therefrom, except to the extent that such amendment, waiver, modification or consent would reduce the principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or release all or substantially all of the Collateral.

(h) Any Lender Party may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 11.7, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender Party by or on behalf of the Borrower; provided, however, that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information received by it from such Lender Party.

(i) Notwithstanding any other provision set forth in this Agreement, any Lender Party may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

(j) Fleet may syndicate the Facilities to other lenders. Any such syndication will be managed by Fleet and will be treated as Confidential Information. The Borrower shall assist Fleet in forming such syndication and shall provide Fleet and any potential lender, assignee or participant, promptly upon request, with all information deemed reasonably necessary by them to complete successfully such syndication, including, without limitation, all information and projections prepared by the Borrower or their officers or advisers relating to the transactions contemplated herein. The Borrower shall make appropriate officers and representatives of the Borrower and their Subsidiaries available to participate in information meetings for potential syndicate members and participants at such times and places as Fleet may reasonably request. In connection with such syndication, Fleet may, in its sole discretion, allocate to other Lenders portions of any fees payable to Fleet in connection with the Facilities.

Section 11.8 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and

Documents and any other agreements, instruments and documents delivered pursuant hereto or in connection with the Loans or to correct any error in any Loan Document.

(b) Upon receipt of an affidavit of an officer of the Administrative Agent or any Lender as to the loss, theft, destruction or mutilation of any Note or Collateral Document which is not of public record, and, in the case of any such mutilation, upon the surrender and cancellation of such Note or Collateral Document, and, in the case of any Note (other than a mutilated Note), upon receipt of an indemnification in form and substance reasonably satisfactory to the Borrower, the Borrower will issue, in lieu thereof, a replacement Note or other Collateral Document in the same principal amount thereof (in the case of any Note) and otherwise of like tenor.

Section 11.13 Severability. The provisions of this Agreement are severable, and if any clause or provision hereof shall be held invalid or unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision in this Agreement in any jurisdiction. Each of the covenants, agreements and conditions contained in this Agreement is independent and compliance by the Borrower with any of them shall not excuse non-compliance by the Borrower with any other. All covenants hereunder shall be given independent effect so that if a particular action or condition is prohibited by any of such covenants, the fact that it would be permitted within the limitations of another covenant shall not avoid the occurrence of a Default or an Event of Default if such action is taken or condition exists.

Section 11.14 JURISDICTION, ETC.

(a) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE NONEXCLUSIVE JURISDICTION OF ANY NEW YORK STATE COURT OR FEDERAL COURT OF THE UNITED STATES OF AMERICA SITTING IN NEW YORK CITY, NEW YORK AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS TO WHICH IT IS A PARTY, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL NON-APPEALABLE JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT ANY LENDER PARTY MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

**MORAN ENTERPRISES
CORPORATION**

By: /s/ Jeffrey J. McAulay
Name: Jeffrey J. McAulay
Title: Vice President

**FLEET BANK, N.A.
as Administrative Agent and
as Initial Issuing Bank**

By: /s/ Robert A. Isaksen
Name: Robert A. Isaksen
Title: Senior Vice President

[Signature Page to Credit Agreement]

Initial Lenders

BANKBOSTON, N.A.

By: _____

Name: _____

Title: _____

[Signature Page to Credit Agreement]

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT NO. 1 to CREDIT AGREEMENT (this "Amendment"), dated as of December 27, 1999, by and among Moran Transportation Company, a Delaware corporation and successor by merger to Moran Enterprises Corporation (Moran Transportation Company is referred to below as the "Borrower"), the banks, financial institutions and other institutional lenders that are a signatory hereto, and Fleet Bank, N.A., as Administrative Agent (the "Administrative Agent").

WITNESSETH:

WHEREAS, the Borrower, the Lenders, the Initial Issuing Bank and the Administrative Agent are parties to that certain Credit Agreement, dated as of October 30, 1998 (the "Credit Agreement");

WHEREAS, the Borrower has requested that certain amendments be made to the Credit Agreement which will enable the Borrower to enter into certain lease and/or financing transactions with respect to certain tugboats;

WHEREAS, such amendments are set forth in this Amendment; and

WHEREAS, all capitalized terms used in this Amendment and not otherwise defined herein shall have the respective meanings given those terms in the Credit Agreement.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

PART I. AMENDMENTS TO LOAN DOCUMENTS

Section 1. The definition of Asset Disposition, set forth in Section 1.1 of the Credit Agreement, is hereby amended by (1) deleting the "or" appearing immediately after clause (iv) thereof; and (2) inserting a new clause (vi) to the end of such Section to read in its entirety as follows: "; or (vi) transfers permitted under clause (f) of Section 6.5".

Section 2. Section 1.1 of the Credit Agreement is further amended by adding the following definitions, to be inserted in proper alphabetical order:

"Navy Tugboats" means up to six (6) tugboats constructed for the purpose of providing services under the Navy Contract.

"Navy Contract" means that certain contract, between Moran Towing Corporation and the Department of the Navy, Military Sealift Command ("Navy"), executed by Moran Towing Corporation on January 29, 1999 and by

-ME2001

the Navy on February 1, 1999, as same may be amended, supplemented or otherwise modified from time to time.

"Specified Tugboats" means, collectively, (i) the Navy Tugboats, and (ii) up to four (4) additional tugboats, provided that, with respect to any tugboat described under this clause (ii), the terms and conditions of the Specified Tugboat Documents relating to such tugboat are reasonably satisfactory to the Administrative Agent.

"Specified Tugboat Documents" shall mean charters and/or lease agreements, and any related investment and sale agreements, related assignments, trust agreements, and other related documents, pursuant to which the Borrower or any of its Subsidiaries charters and/or leases from the shipowner (or its agent or designee) the Specified Tugboats.

"Specified Tugboat Liens" shall mean Liens granted by the Borrower or any of its Subsidiaries, pursuant to the Specified Tugboat Documents, in the Borrower's or such Subsidiary's right, title and interest in, to or under (i) the Specified Tugboat(s) which are the subject of the applicable Specified Tugboat Document(s), (ii) any agreement (including charters) or other contracts relating to such Specified Tugboat(s) (but only to the extent such agreement or other contract relates to such Specified Tugboat(s) or their operations), (iii) any freights, hire or other monies or amounts from time to time earned by such Specified Tugboats (or their operations), and/or under such agreements or other contracts (but only to the extent such agreements or other contracts relate to such Specified Tugboat(s) or their operations), and payable or to become payable to the Borrower or such Subsidiary, (iv) all monies and claims at any time due to the Borrower or such Subsidiary, and all claims for damages, in respect of the actual or constructive loss of, other damage to, or requisition or condemnation of such Specified Tugboat(s) and (v) insurances (and the proceeds thereof) relating to such Specified Tugboat(s).

Section 3. Section 5.13(a) of the Credit Agreement is hereby amended by deleting the phrase "(other than assets with a fair market value of less than \$50,000)" and inserting in lieu thereof the phrase "(other than assets with a fair market value of less than \$50,000 and also excluding the Borrower's or any of its Subsidiary's rights, title and interest in the assets which are the subject of the Specified Tugboat Liens (such exclusion to continue only for so long as such assets are subject to the Specified Tugboat Liens))".

Section 4. Section 6:1 of the Credit Agreement is hereby amended by: (1) deleting the "and" at the end of clause (j) thereof; (2) deleting the period at the end of clause (k) thereof and inserting in lieu of such period the phrase "; and"; and (3) inserting a new clause (l) to such Section to read in its entirety as follows: "(l) the Specified Tugboat Liens."

-ME2001

2

Section 5. Section 6.5 of the Credit Agreement is hereby amended by (1) deleting the "and" at the end of clause (d) thereof; (2) deleting the period at the end of clause (e) thereof and inserting in lieu of such period the phrase "; and"; and (3) inserting a new clause (f) to such Section to read in its entirety as follows: "(f) transfers by the Borrower or any Subsidiary of the Borrower of Specified Tugboats (and related insurances) which are immediately thereafter chartered and/or leased by the Borrower or such Subsidiary under the Specified Tugboat Documents."

Section 6. Section 6.14 of the Credit Agreement is hereby amended by (1) deleting the "and" at the end of clause (ii) thereof; and (2) inserting a new clause (iv) to the end of such Section to read in its entirety as follows: "; and (iv) restrictions under the Specified Tugboat Documents and which restrictions relate to the property covered by the Specified Tugboat Liens."

Section 7. Anything contained in the Security Documents or other Collateral Documents to the contrary notwithstanding, the assets which are the subject of the Specified Tugboat Liens shall not be part of the Collateral; provided, however, that, it is understood and agreed that any such asset shall, to the extent of the Borrower's or any of its Subsidiary's then right, title or interest therein, become part of the Collateral immediately upon such asset no longer being subject to the Specified Tugboat Liens. The Administrative Agent is hereby authorized, on behalf of the Lenders, to (i) execute and deliver such Uniform Commercial Code amendment statements or statements of partial release and to take such other action, at the expense of the Borrower, as the Borrower may reasonably request to effect the provisions of the immediately preceding sentence, and (ii) execute and deliver such documents, and take such other action, all at the expense of the Borrower, as the Administrative Agent shall reasonably deem necessary or desirable in connection with the protection of the Lien(s) under any applicable Security Document in any monies due or to become due under the Navy Contract with respect to any tugboats which are performing services under the Navy Contract but which are not Navy Tugboats subject to the Specified Tugboat Documents; and in doing any of the foregoing under this sentence the Administrative Agent shall be entitled to all of the benefits and protections of Article 10 of the Credit Agreement; the Borrower shall, and shall cause its Subsidiaries to, execute and deliver such documents, at the expense of the Borrower, and take such other action, as the Administrative Agent may reasonably request to effect the proviso set forth in the immediately preceding sentence.

Section 8. To the extent (if at all) applicable, nothing contained in this Amendment shall be interpreted or construed to increase the \$25,000,000 limit for purchase money Debt and Capitalized Leases set forth in Section 6.2(c)(i) of the Credit Agreement.

PART II. CONDITIONS PRECEDENT

Section 9. The effectiveness of this Amendment is conditioned upon the satisfaction of the following conditions precedent:

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- (a) The Borrower shall execute and deliver this Amendment; and
- (b) the Administrative Agent and Lenders constituting the Required Lenders shall execute and deliver this Amendment.

PART III. FEE

Section 10. In the event the condition precedent set forth in Section 9(b) above is satisfied, the Borrower shall promptly pay to each Lender who executes and delivers this Amendment, provided such Lender so executes and delivers no later than 5 p.m. on Monday, December 27, 1999 (the "Amendment Fee Date"), an amendment fee equal to the product of (a) 0.025% (i.e., 2.5 basis points) multiplied by (b) the sum of (i) the Revolving Credit Commitment of such Lender as of the Amendment Fee Date plus (ii) the aggregate outstanding principal amount (as of the Amendment Fee Date) of any Term A Advances and Term B Advances owed to such Lender.

PART IV. MISCELLANEOUS

Section 11. Except as amended hereby, the Credit Agreement and other Loan Documents shall remain in full force and effect.

Section 12. This Amendment (i) may be executed in any number of counterparts, each of which shall be deemed to be an original but all of which together shall be considered one and the same instrument and (ii) shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Legal delivery of this Amendment may be made by, among other methods, telecopy.

Section 13. The Borrower shall pay all out-of-pocket expenses (including reasonable attorneys' fees and disbursements) incurred by the Administrative Agent in connection with this Amendment, including the drafting, negotiation, and consummation thereof.

Section 14. This Amendment shall be construed in accordance with and governed by the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered by their duly authorized officers as of the day and year first above written.

MORAN TRANSPORTATION COMPANY

By: 
Name: J. Moran
Title: VP

[Signatures Continued On Following Page]

Amendment No 1 legal

TOTAL P.02

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DEC-22-1999 15:05 BANKBOSTON

WORKSVZ printed DUP3860E3E1C00 on Dec 22 02:45PM 1999 * Pg 2/3
617 434 1955 P.02

**FLEET BANK, N.A., in its capacity as
Administrative Agent and as a Lender**

By: 
Name: Peter M. Benham
Title: Vice President

**Marine Transportation Company
Signature Page to Amendment No. 1 dated as of December 27, 1999**

Document2

1-725 P.06/22 J00-238

203348377

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DEC-22-1999 15:05 BANKBOSTON

WORKSRV2 printed DUP3860E3EF1C00 on Dec 22 02:43PM 1999 - pg 3/3
617 434 1955 P.03

BANKBOSTON, N.A.

By: 
Name: Peter M. Benham
Title: Vice President

Moren Transportation Company
Signature Page to Amendment No. 1 dated as of December 27, 1999

Document 1

TOTAL P.03

1-175 P.01/22 J00-738

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DEC 24 1999 09:35 FR BANK OF AMERICA

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843 723 6850 TO 912122383100 P.02/02

BANK OF AMERICA, N.A.
(successor to NationsBank, N.A.)

By: Salvador W. Pastorelli
Name: Salvador W. Pastorelli
Title: Vice President

Marin Transportation Company
Signature Page to Amendment No. 1 dated as of December 27, 1999

-MP2001

DEC 22 1999 12:02

PAGE 10
TOTAL PAGE 02

007-007 27/09/99 021-1

203346977

DEC-28-99 14:24 FROM:FINN DIXON & MERLING LLP

**THE INDUSTRIAL BANK OF
JAPAN, LIMITED**

By: *John Dippo*
Name: John Dippo
Title: Senior Vice President

Mitsui Transportation Company
Signature Page to Amendment No. 1 dated as of December 27, 1999

-MR2001

1-125 P.05/22 J00-238

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NO. 384 P12

12/27/99 11:52

IBJ WHITEHALL BUSINESS CREDIT CORPORATION

By: Andrew Sepe
Name: Andrew Sepe
Title: AVP

Morua Transportation Company
Signature Page to Amendment No. 1 dated as of December 27, 1999

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1-725 P.10/22 J00-238

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SENT BY: ERSTE BANK, NEW YORK :12-27-89 : 11:11 : ERSTE BANK, NEW YORK- EMM FAX: # 2/ 2 NO. 384 015

ERSTE BANK

By: *John Fey*
Name: John Fey
Title: Assistant Vice President
Erste Bank New York Branch

[Signature]
Arinda Hovanessian
Vice President
Erste Bank New York Branch

Metra Transportation Company
Signature Page to Amendment No. 1 dated as of December 27, 1998

1003701

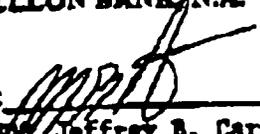
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12/27/99 11.06

Mellon Financial Services Corp.
Attorney-In-Fact for
MELLON BANK N.A.

By: 
Name: Jeffrey B. Caratona
Title: Vice President

Mellon Transportation Company
Signature Page to Amendment No. 1 dated as of December 27, 1999

-462801

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** TOTAL PAGE.02 **

1-725 P.12/22 400-238

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12/22/99 11:36

SUMMIT BANK

By: Bonnie Gershon
Name: Bonnie Gershon
Title: Vice President

Moran Transportation Company
Signature Page to Amendment No. 1 dated as of December 27, 1999

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1-725 P.13/22 J00-253

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203 316 7969 TO 12122383108 P.02/02

**GENERAL ELECTRIC CAPITAL
CORPORATION**

By: *James Kopack*
Name: James Kopack
Title: Risk Manager

Moran Transportation Company
Signature Page to Amendment No. 1 Dated as of December 27, 1999

-MF2001

*** TOTAL PAGE. 02 ***

1-725 P.14/22 000-238

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DEC 23 '99 17:06 FR FIRST UNION TRAN-CONS215 786 7704 TO 912122383100 P.02/02

FIRST UNION NATIONAL BANK

By: [Signature]
Name: Robert G. McQuinn
Title: Vice Pres

Moran Transportation Company
Signature Page to Amendment No. 1 dated as of December 27, 1999

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PAGE 02
* TOTAL PAGE 02 *

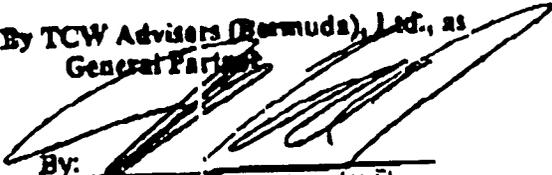
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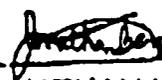
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TCW LEVERAGED INCOME TRUST,
L.P.

By TCW Advisors (Bermuda), Ltd., as
General Partner

By: 
Name: MARC L. GOFF
Title: Managing Director

By TCW Investment Management
Company, as Investment Advisor

By: 
Name: JONATHAN I. BERG
Title: Assistant Vice President

Moran Transportation Company
Signature Page to Amendment No. 1 dated as of December 27, 1999

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DEC-28-99 14:25 FROM: FINN DIXON & HERLING LLP

TCW LEVERAGED INCOME TRUST,
II, L.P.

By TCW Advisors (Bermuda), Ltd. as
General Partner

By _____
Name: _____
Title: _____

By TCW Investment Management
Company, as Investment Advisor

By: Jonathan Berg
Name: JONATHAN BERG
Title: Assistant Vice President

Marine Transportation Company
Signature Page to Amendment No. 1 dated as of December 27, 1999

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TEL: 212 771 4089

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M&I Marshall & Holly Bank

By: [Signature]

Name: Michael V. [Signature]

Title: VP

By: [Signature]

Name: JEFF TILSON

Title: VP

Marin Transportation Company
Signature Page to Amendment No. 1 dated as of December 21, 1999

-105001

TOTAL P.03

1-725 P.18/22 J00-238

2033485777

DEC-28-99 14:26 FROM:FINN DIXON & HERLING LLP

GUARANTEE

dated as of

March 27, 2000

of

Moran Transportation Company

Schedule J

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GUARANTEE

This Guarantee, dated as of March 27, 2000 (the "Guarantee"), is made by MORAN TRANSPORTATION COMPANY ("Guarantor"), a Delaware corporation in favor of the Guaranteed Parties (as hereinafter defined).

WHEREAS, all capitalized terms used herein and in Schedule 1 hereto without definitions shall have the respective meanings set forth in Schedule A to the Demise Charter dated the date hereof, between The CIT Group/Equipment Financing, Inc. ("Shipowner"), a New York banking corporation, and Moran Towing Corporation ("Charterer"), a New York corporation and a wholly-owned Subsidiary of Guarantor;

WHEREAS, it is a condition to the transactions contemplated by the Demise Charter, the Investment Agreement and the other Transaction Documents that Guarantor guarantee that Charterer will make all the payments provided for in, and perform all of its obligations under, all of the Transaction Documents, a list of which is set forth on Schedule 1 attached hereto and made a part hereof (in each case, as the same may be amended, waived, modified or supplemented from time to time, with or without the consent of Guarantor, being herein referred to individually as a "Guaranteed Agreement" and collectively as the "Guaranteed Agreements") , receipt of copies of which Guarantor hereby acknowledges;

WHEREAS, Guarantor is entering into this Guarantee for the aforesaid purpose and to induce Shipowner (the Shipowner, together with its Affiliates and successors, transferees and assigns, being herein referred to individually as a "Guaranteed Party" and collectively as the "Guaranteed Parties") to enter into and perform its obligations under such of the Guaranteed Agreements to which Shipowner is a party; and

WHEREAS, the Guarantor has determined that the execution, delivery and performance by Charterer of such of the Transaction Documents to which it is a party and the execution, delivery and performance of this Guarantee indirectly benefit, and are within the corporate purposes and in the best interests of the Guarantor;

NOW, THEREFORE, for and in consideration of the foregoing, and for other good and valuable consideration which the Guarantor hereby acknowledges having received, the Guarantor hereby covenants and agrees with and represents and warrants to each of the Guaranteed Parties as follows:

ARTICLE 1. Guarantee Terms.

1.1 The Guarantee. Guarantor hereby irrevocably and unconditionally guarantees to each of the Guaranteed Parties the due and punctual (a) full payment (whether due by acceleration or otherwise) by Charterer in accordance with the terms and provisions of the Guaranteed Agreements of any and all sums (including, but not limited to, Charter Hire, Stipulated Loss Value (if applicable), payments under Sections 17 and 18 of the Demise Charter, indemnities, reimbursement sums, damages, interest, fees and expense, Fees, Taxes and/or Other Charges and all other expenses incurred by or owing to any such Guaranteed Party) which are now or hereafter become payable by Charterer under any of the Guaranteed Agreements as and when the same shall become due and payable in accordance with the terms and provisions of the Guaranteed Agreements and (b) faithful performance and discharge by Charterer of each and every other duty, agreement, covenant, undertaking and obligation of Charterer in favor of any Guaranteed Party under and in accordance with the terms and provisions of the Guaranteed Agreements (all such obligations described in clauses (a) and (b) above being herein referred to individually as a "Guaranteed Obligation" and collectively as the "Guaranteed Obligations"). In the case of the failure or inability of Charterer duly, punctually and fully to pay any such Guaranteed Obligation described in clause (a) above when due and in accordance with the terms of the applicable Guaranteed Agreement (whether or not such failure or inability shall constitute an Event of Default) , Guarantor hereby irrevocably and unconditionally agrees to pay or cause to be paid to the Person or Persons entitled to receive the same (according to their respective interests) under and in accordance with the Guaranteed Agreements, on the day such payments are (or would have become) due and payable, an amount equal to the aggregate of all such Guaranteed Obligations then due and unpaid (including, without limitation, any and all interest due and payable under any of the Guaranteed Agreements) . In the case of the failure or inability of Charterer duly and punctually to perform and discharge any such Guaranteed Obligation described in clause (b) above (whether or not such failure or inability shall constitute an Event of Default), in favor of any Guaranteed Party under and in accordance with the terms and provisions of the Guaranteed Agreements, Guarantor hereby irrevocably and unconditionally agrees promptly to perform or discharge the same or cause the same to be performed or complied with. In addition, in the case of any such failure of payment, performance or discharge of any Guaranteed Obligation by Charterer, Guarantor shall forthwith, upon request of any Guaranteed Party, pay to the Guaranteed Party making such request such additional amounts as may be necessary to reimburse such Guaranteed Party in full for any reasonable out of pocket expenses that such Guaranteed Party incurred as a result of any such failure by Charterer (including, without limitation, reasonable attorneys' fees and expenses and other reasonable fees and disbursements that may have been incurred by or on behalf of such Guaranteed Party in enforcing such payments, performance or discharge by Charterer or in enforcing this Guarantee)

1.2 Guarantor's Obligations Absolute. The obligations, covenants, agreements and

duties of Guarantor hereunder (a) shall be primary obligations of Guarantor, (b) are absolute, unconditional and irrevocable, (c) shall remain in full force and effect and shall not be discharged, limited, impaired, reduced or terminated in any way by any circumstance or condition whatsoever (whether or not Guarantor or Charterer shall have any knowledge or notice thereof) except by payment and performance in full and (d) shall constitute a guaranty of payment, performance and discharge and not of collection. In addition, the foregoing obligations, covenants, agreements and duties shall not be subject to any counterclaim, crossclaim, set off, deduction, withholding, diminution, abatement, recoupment, suspension, deferment, reduction or defense for any reason whatsoever and Guarantor shall have no right to terminate this Guarantee or to be released, relieved or discharged from any of its obligations, covenants, agreements and duties hereunder for any reason whatsoever (whether or not Guarantor or Charterer shall have any knowledge or notice thereof), including, without limitation:

(i) any amendment, modification, addition, deletion or supplement to, or other change in or to or waiver of any provision of any Guaranteed Agreement or to the Vessel, or any assignment, mortgaging or transfer of any thereof or of any interest therein, or any furnishing or acceptance of additional security, or any exchange or release of any security, for the obligations of Charterer under the Guaranteed Agreements, or the failure of any security or the failure of any Person to perfect any security interest in the Collateral Security or any other security;

(ii) any failure, omission or delay on the part of Charterer or any Guaranteed Party, to perform or comply with any term of any Guaranteed Agreement;

(iii) any waiver, consent, extension, indulgence, compromise, release or other action or inaction under or in respect of any Guaranteed Agreement or any obligation or liability of Charterer or any Guaranteed Party, or any exercise or nonexercise of any right, remedy, power or privilege under or in respect of any such Guaranteed Agreement or any such obligation or liability;

(iv) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, dissolution, liquidation, winding up or similar proceeding with respect to Charterer or any Guaranteed Party or any other Person or any of their respective properties or creditors, or any action taken by any trustee or receiver or by any court in any such proceeding;

(v) any limitation on the liability or obligations of Charterer or any other Person under any Guaranteed Agreement or any discharge, termination, cancellation, frustration, irregularity, invalidity, unenforceability, illegality or impossibility of performance, in whole

or in part, of any of the Guaranteed Agreements or any term of any thereof;

(vi) any defect in the title, compliance with specifications, condition, design, operation or fitness for use of, any ineligibility for any particular activity or any damage to or loss or destruction of or any interruption or cessation in the use of, the Vessel or any portion thereof by Charterer or any other Person for any reason whatsoever (including, without limitation, any Event of Loss or any event referred to in Article 12 of the Demise Charter) regardless of the duration thereof (even though such duration would otherwise constitute a frustration of the Demise Charter), whether or not resulting from accident and whether or not without fault on the part of Charterer or any other Person;

(vii) any merger or consolidation of Charterer or Guarantor into or with any other Person or any sale, lease or transfer or other disposition of any or all or substantially all of the assets of Charterer or Guarantor to any other Person;

(viii) any change in the ownership of any shares of capital stock of Charterer (including, without limitation, any change as a result of which the magnitude of Guarantor's ownership interest in Charterer is reduced or Guarantor ceases to hold any such ownership interest, directly or indirectly)

(ix) any act, omission or breach on the part of Charterer, any Guaranteed Party or any other Person under any Guaranteed Agreement or other Transaction Document, or under any law or governmental regulation applicable to said parties or to any Vessel;

(x) any claims as a result of any other business dealings by Guarantor, Charterer or any other Person;

(xi) any event of force majeure;

(xii) any legal requirement; and

(xiii) any other occurrence or circumstance whatsoever, whether similar or dissimilar to the foregoing (including, without limitation, any occurrence or circumstance of the character described in Article 10 (e) of the Demise Charter) that might otherwise constitute a legal or equitable defense or discharge of the liabilities of a guarantor or surety or that might otherwise limit recourse against Guarantor.

The obligations of Guarantor set forth herein constitute the full recourse obligations of Guarantor enforceable against it to the full extent of all its assets and properties, notwithstanding any provision in any Guaranteed Agreement limiting the liability of

Shipowner or any other Person.

The obligations of Guarantor set forth in this Guarantee shall be continuing and Guarantor agrees that in the discharge of its obligations under Section 1.1 hereof, no judgment, order, or execution need be obtained, and no action, suit or proceeding need be brought, and no other remedies need be exhausted against Charterer or any other Person prior to the demand by any Guaranteed Party for payment or performance hereunder.

1.3 Waivers by Guarantor. To the extent permitted by applicable law, Guarantor hereby unconditionally waives and agrees to waive at any future time any and all rights which Guarantor may have or which now or at any time hereafter may be conferred upon it, by statute, rule of law, regulation or otherwise, to terminate, cancel, quit or surrender this Guarantee. Without limiting the generality of the foregoing, it is agreed that, at any time or from time to time, the occurrence or existence of any one or more of the following shall not release, relieve or discharge Guarantor from liability hereunder, and Guarantor hereby unconditionally waives and agrees to waive to the extent permitted by applicable law:

(i) notice of any of the matters referred to in Section 1.2 hereof and of any matters which may be referred to in any other Guaranteed Agreement (except any notices to which Guarantor is expressly entitled thereunder);

(ii) all notices that may be required by statute, rule of law, regulation or otherwise, now or hereafter in effect, to preserve intact any rights against Guarantor including, without limitation, any demand, presentment and protest, proof of notice of non-payment under the Guaranteed Agreements, and notice of any default or failure on the part of Charterer to perform and comply with any covenant, agreement, term or condition of any of the Guaranteed Agreements;

(iii) the enforcement, assertion or exercise against Charterer of any right, power, privilege or remedy conferred in the Guaranteed Agreements or otherwise and any requirement that any Guaranteed Party protect, secure, perfect or insure any security interest or Lien on any property subject thereto;

(iv) any requirement of promptness or diligence on the part of any Person;

(v) any requirement to exhaust any remedies or to mitigate the damages resulting from a default under the Guaranteed Agreements;

(vi) any notice of any sale, transfer or other disposition of any right, title to or interest in any Guaranteed Agreement or the Vessel;

(vii) any filing of claims by any Guaranteed Party with any court in the event of the bankruptcy (or any similar proceeding for the relief of financially distressed debtors) of Charterer; and

(viii) any other occurrence or circumstance whatsoever, whether similar or dissimilar to the foregoing, that might otherwise constitute a legal or equitable discharge, release or defense of a guarantor or surety, or that might otherwise limit recourse against Guarantor.

1.4 Reinstatement of Guarantee. This Guarantee shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Guaranteed Obligations is rescinded or must otherwise be restored or returned by the recipient thereof upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of Charterer, or upon or as a result of the appointment of a custodian, receiver, intervenor or conservator of, or trustee or similar officer for, either Charterer or any substantial part of its property, or otherwise, all as though such payments had not been made. If an event specified in Article 15(a) (6) or (7) of the Demise Charter shall occur, and such occurrence shall prevent, delay or otherwise affect the right of any Guaranteed Party to receive any payment under any Guaranteed Agreement (including, without limitation, any amounts payable pursuant to Article 15(b) of the Demise Charter), Guarantor agrees that, for purposes of this Guarantee and its obligations hereunder and notwithstanding the occurrence of any of the foregoing events, Guarantor shall forthwith pay any such amount guaranteed hereunder at such times and in such amounts as are specified in the Guaranteed Agreements.

1.5 No Subrogation. Guarantor shall not be entitled to be subrogated to any of the rights of any Guaranteed Party against Charterer in respect of any amounts paid by Guarantor pursuant to any provision of this Guarantee or any obligations guaranteed hereby until all Guaranteed Obligations have been paid or performed or discharged in full, but upon such payment or performance or discharge in full (and so long as this Guarantee has not been reinstated pursuant to Section 1.4 hereof), Guarantor shall be subrogated in full to all rights of all Guaranteed Parties in respect thereof. Each Guaranteed Party hereby agrees at the expense of Guarantor to execute such documents and do such other and further things as may be reasonably requested by Guarantor to effect and evidence such subrogation. Unless and until all Guaranteed Obligations have been paid or performed or discharged in full, Guarantor shall not assign or otherwise transfer any such claim against Charterer. If any amount shall be paid to Guarantor on account of the foregoing subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid, performed or discharged in full, such amount shall be held in trust for the benefit of the Guaranteed Party or Guaranteed Parties entitled to receive the same (according to their respective interests) under and in strict accordance with the Guaranteed Agreements, shall be segregated from the other funds of

Guarantor and shall forthwith be paid over by Guarantor to such Guaranteed Party or Guaranteed Parties.

1.6 The Guarantee to Rank on a Parity with Other Unsecured Indebtedness. The obligations of Guarantor under this Guarantee shall rank on a parity with all other unsecured and unsubordinated indebtedness of Guarantor now or hereafter existing.

1.7 Waiver of Acceptance. Guarantor hereby waives notice of acceptance of this Guarantee by the Guaranteed Parties.

1.8 Guarantor's Claims. Nothing herein shall be deemed to affect or limit any rights of Guarantor to obtain judgments for damages or equitable remedies for breaches of duty (whether of contractual obligations or otherwise) if any, by any Guaranteed Party; provided, however, that no actions initiated or taken by or on behalf of Guarantor or for Guarantor's benefit relating to the collection or enforcement of any such judgment or equitable remedy shall interrupt, delay or otherwise interfere with the due and punctual payment, absolutely net, and collection of each and every amount payable hereunder or pursuant hereto to the prescribed payees and distributees thereof even if, before and/or after the making of such payment and/or collection, one or more payees or distributees of such amount has an unsatisfied liability to Guarantor or any other Person.

ARTICLE 2. Payments Free and Clear of Taxes Etc.

Without limiting the generality of the foregoing, all payments made by Guarantor under this Guarantee shall be made free and clear of, and without reduction for or on account of, any present or future stamp or other taxes, levies, imposts, duties, charges, fees, deductions, withholdings, restrictions or conditions of any nature whatsoever now or hereafter imposed, levied, collected, withheld or assessed by any country (or by any political subdivision or taxing authority thereof or therein), excluding income and franchise taxes now or hereafter imposed on any Guaranteed Party (such nonexcluded taxes being hereinafter collectively referred to as "Designated Taxes") If any Designated Taxes are required to be withheld from any amounts payable to any Guaranteed Party under this Guarantee the amounts so payable to such Guaranteed Party shall be increased to the extent necessary to yield to such Guaranteed Party (after payment of all Designated Taxes) an aggregate amount equal to the amount specified in this Guarantee. Whenever any Designated Tax is payable by Guarantor, as promptly as possible thereafter, Guarantor shall send the relevant Guaranteed Party an original or true copy of an official receipt showing payment thereof.

ARTICLE 3. Additional Covenants of Guarantor.

3.1 General. So long as the Demise Charter shall remain in effect, or if not in effect, during such period or periods as any Guaranteed Party shall have reasonably determined that Charterer is or may be required to perform an obligation under any of the Guaranteed Agreements which survives termination of the Demise Charter, Guarantor agrees that, unless the Shipowner otherwise consents in writing, Guarantor will furnish to the Shipowner:

(a) as soon as publicly available, and in any event after the end of each fiscal year of Guarantor within the time period required by the 1933 Act, the 1934 Act and any and all regulations promulgated thereunder and then in effect (collectively, the "Securities Laws") a copy of the Guarantor's financial statements included in the Annual Report on Form 10-K (or any successor form) filed by Guarantor with the SEC pursuant to the Securities Laws with respect to such fiscal year; provided that in the event that Guarantor ceases to be, or is not, required by applicable law to make the foregoing filing, as soon as available, and in any event within 120 days after the end of each fiscal year of Guarantor, Guarantor shall furnish the Shipowner with a consolidated balance sheet of Guarantor and its consolidated Subsidiaries as at the end of such fiscal year and the related consolidated statements of income, retained earnings, capital surplus and cash flow of Guarantor and its consolidated Subsidiaries for such fiscal year, prepared in conformity with GAAP consistently applied (except as disclosed in the notes thereto) and accompanied by an audit report thereon by its independent accountants, all in reasonable detail and setting forth in comparative form the corresponding figures for the preceding fiscal year;

(b) as soon as publicly available, after the end of each of the first three fiscal quarters of each fiscal year of Guarantor, a copy of the Guarantor's financial statements included in the Quarterly Report on Form 10-Q (or any successor form) filed by the Guarantor with the SEC pursuant to the Securities Laws with respect to such fiscal quarter; provided that in the event that Guarantor ceases to be, or is not, required by applicable law to make the foregoing filing, Guarantor shall furnish the Shipowner with no less financial information than that required to be furnished by Guarantor in the aggregate, from time to time, to the financial institutions, independent of Guarantor, then extending credit for borrowed money to Guarantor, collectively, and Guarantor shall furnish the foregoing financial information to the Shipowner, on the most favorable (to the recipient thereof) basis on which Guarantor furnishes financial information to the foregoing financial institutions collectively, together with a certificate of the Chief Financial Officer or Controller of

Guarantor to the effect that the foregoing financial information furnished by Guarantor to the Shipowner, pursuant to this proviso is in full compliance with the terms of this Section 3.1(b); and

(c) promptly after the same shall become available, copies of (i) if Guarantor becomes a publicly-held company, all financial statements (including, without limitation, the financial statements specified in Sections 3.1(a) and 3.1(b) hereof) and reports sent by Guarantor to its stockholders and (ii) all reports on Form 8K (or any successor form) under the 1934 Act filed by Guarantor with the SEC or any national securities exchange.

3.2 Control. Guarantor shall retain Control of Charterer except as otherwise permitted under the Investment Agreement.

3.3 Fulfillment of Conditions Precedent. Guarantor covenants and agrees with the Guaranteed Parties with respect to the Vessel to use its best efforts to cause Charterer to fulfill or obtain the fulfillment of the obligations of Charterer relating to the conditions precedent set forth in the Guaranteed Agreements on or prior to the date the Vessel is to be delivered by Charterer to and accepted by Shipowner pursuant to the Investment Agreement relating to the Vessel.

3.4 Certificates. On the Delivery Date of the Vessel (i) Guarantor shall deliver to each of the Guaranteed Parties with respect to the Vessel one or more certificates, dated such Delivery Date and signed by an Assistant Treasurer or a Responsible Officer of Guarantor stating, on behalf of the Guarantor, that all the representations and warranties made by Guarantor in Section 5 hereof are true and correct on and as of such Delivery Date and stating on behalf of Guarantor that this Guarantee remains in full force and effect and (ii) Guarantor shall deliver to each of the Guaranteed Parties with respect to such Vessel an opinion reasonably satisfactory to such Guaranteed Parties from counsel to Guarantor, dated such Delivery Date, and addressed to such Guaranteed Parties in the form required by the Investment Agreement.

ARTICLE 4. Consent to Assignment; Payment.

(a) Guarantor hereby consents to the assignment of Shipowner's right, title and interest in, to and under this Guarantee and of Shipowner's right, title and interest in, to and under each of the Guaranteed Agreements and this Guarantee to any bank or financial institution designated by Shipowner provided however, that in the event of any such assignment made in conjunction with any absolute assignment by Shipowner of all right, title and

interest in and to the Vessel and the Demise Charter, such assignee shall be a citizen of the United States within the meaning of the Shipping Act qualified to own vessels operated in the coastwise trade of the United States. This Guarantee is not assignable by Guarantor except by operation of law or as expressly set forth in Section 3.2 hereof.

(b) Guarantor agrees that it shall make all payments payable hereunder to the Person or Persons entitled to receive the same (according to their respective interests) under and in accordance with the Guaranteed Agreements.

ARTICLE 5. Representations and Warranties of Guarantor.

Guarantor hereby represents and warrants to each Guaranteed Party as follows:

(a) Guarantor is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has the full corporate power and authority to carry on its business as now conducted and to own or hold under lease its properties and to enter into and perform its obligations under this Guarantee and is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction wherein the nature of its business and operations or the character of the properties owned or held under lease by it makes such qualification necessary or except where failure to be so qualified could not reasonably be expected to have a material adverse effect on the Guarantor or its financial condition, operations or business prospects and/or its ability to perform hereunder.

(b) This Guarantee has been duly authorized by all necessary corporate action on the part of Guarantor and has been duly executed and delivered by Guarantor and neither the execution and delivery hereof, nor the consummation of the transactions contemplated hereby, nor compliance by Guarantor with any of the terms and provisions hereof (a) does or will require any approval or consent, the giving of notice to, the registration with, the recording of or filing of any document with, or the taking of any other action in respect of, any foreign or any Federal, state or other governmental office, commission, authority or agency, any stockholder, any trustee or holder of any indebtedness or other obligation of Guarantor, or any other Person, except such as have been obtained, are in full force in effect and not subject to any pending proceedings (administrative, judicial or otherwise) (with true copies thereof duly certified and furnished to each Guaranteed Party), (b) does or will contravene any law, judgment, governmental rule, regulation, decree or order

(including Executive Order) applicable to or binding on Guarantor or (c) does or will contravene or result in any breach of, or constitute a default under or result in the creation of any lien upon any property of Guarantor under, any certificate of incorporation, by-law, indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement or other material agreement or instrument to which Guarantor is a party or by which Guarantor or any of its properties may be bound or affected.

(c) This Guarantee constitutes the legal, valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, liquidation and other laws of general applicability relating to or affecting creditors rights generally or by general principles of equity.

(d) Except as disclosed in writing to Shipowner, there are no, and, except as disclosed in writing to Shipowner, as of the Delivery Date of the Vessel, there will not be any, actions, suits or proceedings (whether or not on appeal) pending or threatened against or affecting Guarantor or any of its Affiliates or relating to any of the Guaranteed Agreements, and, except as disclosed in writing to Shipowner there are no, and, except as disclosed in writing to Shipowner, as of the Delivery Date of the Vessel there will not be any, proceedings by or before any governmental commission, board, bureau, arbitrator, or other administrative agency pending (whether or not on appeal) against Guarantor or any of its Affiliates or relating to any of the Guaranteed Agreements, which (in the case of any such action, suit, or proceeding described in this Section 5 (d)) if adversely determined, would reasonably be expected (after taking into consideration applicable insurance coverage) to have a material adverse effect on the financial condition, business or operations of Guarantor or the ability of Guarantor to carry on its business or to perform its obligations under this Guarantee or which seeks to prevent the consummation or performance of all or any part of the transactions relating to the Vessel contemplated by the Transaction Documents.

(e) The consolidated balance sheet of Guarantor and its consolidated Subsidiaries as at December 31, 1998 and the related statement of income, retained earnings, capital surplus and cash flow for the period then ended (copies of which, certified by the independent public accountants of Guarantor have been furnished to the Shipowner), (x) fairly present, in all material respects, the financial condition, results of operations, capital surplus and cash flow of Guarantor and its consolidated Subsidiaries as at such date and for

such period and (y) were prepared in accordance with GAAP, applied in a manner consistent with the principles applied throughout the period covered thereby. The balance sheet of Guarantor and its consolidated Subsidiaries as at September 30, 1999, and the related statement of earnings for the nine months then ended (copies of which have been furnished to Shipowner (x) fairly present, in all material respects, the financial condition, results of operations, capital surplus and cash flow of the Guarantor and its consolidated Subsidiaries as at such date and for such period and (y) were prepared in accordance with GAAP, applied in a manner consistent with the principles applied during the year ended December 31, 1998, subject to normal year-end adjustments. Since September 30, 1999 there has been no material adverse change in the assets, properties, business, operations or condition (financial or otherwise) of Guarantor and Guarantor does not know of any such change that is threatened.

(f) Guarantor has filed or caused to be filed all material Federal, state, local and foreign tax returns, if any, which are required to be filed by it, and has paid or caused to be paid all taxes shown to be due and payable on such returns or on any assessment received by Guarantor to the extent that such taxes have become due and payable, other than such taxes which are being contested by Guarantor, in good faith by appropriate proceedings diligently conducted and, to the extent, if any, that such taxes are not due and payable, or are being contested, Guarantor has established reserves which are adequate, in accordance with GAAP, for the payment thereof. Guarantor has no knowledge of any actual or proposed deficiency or additional assessment in connection therewith which either in any case or in the aggregate could be materially adverse to Guarantor.

ARTICLE 6. Notices.

Unless otherwise specifically provided herein, all notices, consents, directions, approvals, instructions, requests and other communications required or permitted by the terms hereof shall be in writing, and any such communication shall be sent by certified or registered mail, with appropriate postage prepaid for first class mail, or delivered by hand or in the form of a telecopy. Each such communication shall become effective when delivered by hand or 24 hours after being sent by telecopy or if mailed, upon receipt, and addressed in the following manner:

(a) if to Guarantor, to:

Moran Transportation Company
2 Greenwich Plaza
Greenwich, Connecticut 06830

Attention: President
Telecopy: 203 625 7857

with a copy to:

Moran Transportation Company
2 Greenwich Plaza
Greenwich, Connecticut 06830

Attention: General Counsel
Telecopy: 203 625 7857

(b) if to Shipowner, to:

THE CIT GROUP/EQUIPMENT FINANCING, INC.
1540 West Fountainhead Parkway
Tempe, Arizona 85282

Attention: Executive Vice President, Credit
Phone:
Telecopy:

with a copy to:

THE CIT GROUP/EQUIPMENT FINANCING, INC.
650 CIT Drive
Livingston, NJ 07039

Attention: Vice President, Credit
Phone: 973-740-5481
Telecopy: 973-740-5148

or

(c) if to any subsequent Shipowner, addressed to such Person at such address as such Person; shall have furnished by notice to Guarantor; provided, however, that

any such addressee may change its address for communication by notice given as aforesaid to Shipowner or Guarantor, as the case may be.

ARTICLE 7. Construction.

The section headings in this Guarantee and the table of contents hereto are for convenience of reference only and shall neither be deemed to be a part of this Guarantee nor modify, define, expand or limit any of the terms or provisions hereof. All references herein to numbered sections, unless otherwise indicated, are to sections of this Guarantee. Words and definitions in the singular shall be read and construed as though in the plural and vice versa, and words in the masculine, neuter or feminine gender shall be read and construed as though in either of the other genders where the context so requires.

ARTICLE 8. Severability.

If any provision of this Guarantee, or the application thereof to any Person or circumstance, shall, for any reason or to any extent, be invalid or unenforceable, such invalidity or unenforceability shall not in any manner affect or render invalid or unenforceable the remainder of this Guarantee, and the application of that provision to other Persons or circumstances shall not be affected but, rather, shall be enforced to the fullest extent permitted by applicable law.

ARTICLE 9. Successors.

The terms and provisions of this Guarantee shall be binding upon and inure to the benefit of Guarantor and the Guaranteed Parties and their respective permitted successors, transferees and assigns.

ARTICLE 10. Entire Agreement: Amendment.

This Guarantee, together with all Guaranteed Agreements, expresses the entire understanding of Guarantor and the Guaranteed Parties relating to the subject matter hereof; and all other understandings, written or oral, are hereby merged herein and superseded. No amendment of or supplement to this Guarantee, or waiver or modification of, or consent under, the terms hereof shall be effective unless in writing and signed by the party to be bound thereby, and also evidenced by an instrument in writing signed by the Shipowner.

ARTICLE 11. Term of Guarantee.

This Guarantee and all guaranties, covenants and agreements and representations and

warranties of Guarantor contained herein shall continue in full force and effect and shall not be discharged until such time as all of the Guaranteed Obligations shall be paid or performed or otherwise discharged in full.

ARTICLE 12. Survival.

All warranties, representations and covenants made by Guarantor herein or in any certificate or other instrument delivered by it or on its behalf under this Guarantee shall be considered to have been relied upon by the Guaranteed Parties and shall survive the execution and delivery of this Guarantee, regardless of any investigation made by the Guaranteed Parties or on their behalf. All statements of Guarantor, or on its behalf, in any such certificate or other instrument shall constitute warranties and representations by Guarantor hereunder.

ARTICLE 13. Further Assurances.

Guarantor hereby agrees to execute and deliver all such instruments and take all such action as any Guaranteed Party may from time to time reasonably request in order fully to effectuate the purposes of this Guarantee.

ARTICLE 14. Governing Law.

This Guarantee shall be governed by, construed and enforced in all respects in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely therein.

ARTICLE 15. Jurisdiction and Service of Process.

Guarantor hereby irrevocably submits itself to the jurisdiction of the Supreme Court of the State of New York, New York County, of the United States of America, and to the jurisdiction of the United States District Court for the Southern District of New York, for the purpose of any suit, action or other proceeding arising out of, or relating to, this Guarantee, any of the Guaranteed Agreements or any of the transactions contemplated hereby or thereby, and hereby waives, and agrees not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason whatsoever, that such suit, action or proceeding is brought in an inconvenient forum, that the venue of such suit, action or proceeding is improper or that this Guarantee, any Guaranteed Agreement or the subject matter hereof or thereof may not be enforced in or by such courts. Guarantor hereby agrees (a) that service of process in any such suit, action or other proceeding by any Guaranteed

Party may be made by mailing a copy of such process by registered or certified mail to Guarantor at the address set forth in Section 6 hereof or as otherwise specified in accordance with Section 6; (b) that service in such manner shall constitute valid and effective service and (c) that nothing herein shall affect any Guaranteed Party's right to effect service of process in any other manner permitted by law, and (d) that each Guaranteed Party shall have the right to bring any legal proceedings (including a proceeding for enforcement of a judgment entered by any of the aforementioned courts) against Guarantor, in such courts or in any other court or jurisdiction in accordance with applicable law.

ARTICLE 16. Original Copies.

This Guarantee may be executed in counterpart originals each of which when executed and delivered shall be an original.

ARTICLE 17. No waivers.

No failure or delay by any Guaranteed Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

ARTICLE 18. Judgment Currency.

If, for the purposes of obtaining judgment in any court in any country, it becomes necessary to convert into any Judgment Currency an amount due in the Currency of Payment under any Guaranteed Agreement, then the conversion shall be made at the Rate of Exchange prevailing on the Conversion Date.

If there is a change in the Rate of Exchange prevailing between the Conversion Date (or any other date which shall be specified in any judgment as the date for such conversion) and the date of actual payment of the amount due (if such date is a Business Day, or if not, the immediately preceding Business Day), Guarantor shall pay such additional or lesser amount as may be necessary to ensure that the amount paid in the Judgment Currency when converted at the Rate of Exchange prevailing on the date of payment will produce the amount then due under this Guarantee in the Currency of Payment.

The term "Rate of Exchange" in this section 18 means the late closing price as of 3:00 P.M. Eastern Time on the relevant date from Telerate Systems and other sources as quoted in The New York Times or, if no such quotation is available, other comparable quotations.

IN WITNESS WHEREOF, Guarantor has caused this Guarantee to be duly executed and delivered as of the day and year first above written.

MORAN TRANSPORTATION COMPANY

By: _____

Name:

Title:

ACCEPTED AND AGREED TO AS OF THE DAY AND YEAR FIRST ABOVE WRITTEN: THE CIT GROUP/EQUIPMENT FINANCING, INC.

By: _____

Name:

Title:

List of Transaction Documents

1. Bill of Sale
2. Certificate of Delivery and Acceptance
3. Demise Charter Certificate of Delivery and Acceptance
4. Charters Assignment
5. Insurances Assignment
6. Investment Agreement
7. Demise Charter
8. Navy Contract Assignment and Related Notices
9. Security Agreement
10. Addendum No. 2 to Security Agreement

Schedule 1

**Tables of Outstanding Rental Balances
and Rental Amortization Amounts**

<u>Payment No.</u>	<u>Outstanding Rental Balances</u>	<u>Rental Amortization Amount</u>
0.	\$3,500,000.00	0
1.	3,488,472.99	\$ 11,527.01
2.	3,476,857.18	11,615.81
3.	3,465,151.90	11,705.28
4.	3,453,356.45	11,795.45
5.	3,441,470.13	11,886.31
6.	3,429,492.26	11,977.88
7.	3,417,422.12	12,070.14
8.	3,405,259.00	12,163.12
9.	3,393,002.18	12,256.81
10.	3,380,650.95	12,351.23
11.	3,368,204.58	12,446.37
12.	3,355,662.33	12,542.25
13.	3,343,023.47	12,638.86
14.	3,330,287.25	12,736.22
15.	3,317,452.91	12,834.33
16.	3,304,519.72	12,933.20
17.	3,291,486.90	13,032.82

SCHEDULE K

<u>Payment No.</u>	<u>Outstanding Rental Balances</u>	<u>Rental Amortization Amount</u>
18.	\$3,278,353.68	\$ 13,133.21
19.	3,265,119.30	13,234.38
20.	3,251,782.97	13,336.33
21.	3,238,343.92	13,439.06
22.	3,224,801.33	13,542.58
23.	3,211,154.43	13,646.90
24.	3,197,402.41	13,752.03
25.	3,183,544.45	13,857.96
26.	3,169,579.74	13,964.71
27.	3,155,507.46	14,072.28
28.	3,141,326.78	14,180.68
29.	3,127,036.86	14,289.92
30.	3,112,636.87	14,399.99
31.	3,098,125.95	14,510.92
32.	3,083,503.25	14,622.70
33.	3,068,767.91	14,735.34
34.	3,053,919.06	14,848.85
35.	3,038,955.83	14,963.23
36.	3,023,877.34	15,078.49

<u>Payment No.</u>	<u>Outstanding Rental Balances</u>	<u>Rental Amortization Amount</u>
37.	\$3,008,682.70	\$ 15,194.64
38.	2,993,371.00	15,311.69
39.	2,977,941.37	15,429.64
40.	2,962,392.87	15,548.50
41.	2,946,724.60	15,668.27
42.	2,930,935.64	15,788.96
43.	2,915,025.06	15,910.59
44.	2,898,991.91	16,033.15
45.	2,882,835.26	16,156.65
46.	2,866,554.15	16,281.11
47.	2,850,147.62	16,406.52
48.	2,833,614.72	16,532.91
49.	2,816,954.45	16,660.26
50.	2,800,165.86	16,788.60
51.	2,783,247.93	16,917.92
52.	2,766,199.69	17,048.24
53.	2,749,020.12	17,179.57
54.	2,731,708.22	17,311.90
55.	2,714,262.96	17,445.26

<u>Payment No.</u>	<u>Outstanding Rental Balances</u>	<u>Rental Amortization Amount</u>
56.	\$2,696,683.32	\$ 17,579.64
57.	2,678,968.26	17,715.06
58.	2,661,116.73	17,851.52
59.	2,643,127.70	17,989.03
60.	2,625,000.09	18,127.61
61.	2,612,320.38	12,679.72
62.	2,599,542.99	12,777.39
63.	2,586,667.17	12,875.82
64.	2,573,692.17	12,975.00
65.	2,560,617.22	13,074.95
66.	2,547,441.56	13,175.67
67.	2,534,164.40	13,277.16
68.	2,520,784.97	13,379.43
69.	2,507,302.47	13,482.50
70.	2,493,716.11	13,586.36
71.	2,480,025.10	13,691.01
72.	2,466,228.62	13,796.48
73.	2,452,325.87	13,902.75
74.	2,438,316.02	14,009.85

<u>Payment No.</u>	<u>Outstanding Rental Balances</u>	<u>Rental Amortization Amount</u>
75.	\$2,424,198.26	\$ 14,117.77
76.	2,409,971.74	14,226.52
77.	2,395,635.63	14,336.11
78.	2,381,189.09	14,446.54
79.	2,366,631.27	14,557.82
80.	2,351,961.31	14,669.96
81.	2,337,178.34	14,782.97
82.	2,322,281.50	14,896.84
83.	2,307,269.90	15,011.60
84.	2,292,142.67	15,127.23
85.	2,276,898.91	15,243.76
86.	2,261,537.73	15,361.18
87.	2,246,058.22	15,479.51
88.	2,230,459.47	15,598.75
89.	2,214,740.55	15,718.91
90.	2,198,900.56	15,840.00
91.	2,182,938.54	15,962.01
92.	2,166,853.57	16,084.97
93.	2,150,644.70	16,208.88

<u>Payment No.</u>	<u>Outstanding Rental Balances</u>	<u>Rental Amortization Amount</u>
94.	\$2,134,310.96	\$ 16,333.73
95.	2,117,851.41	16,459.56
96.	2,101,265.06	16,586.35
97.	2,084,550.95	16,714.11
98.	2,067,708.09	16,842.86
99.	2,050,735.48	16,972.61
100.	2,033,632.13	17,103.35
101.	2,016,397.03	17,235.10
102.	1,999,029.17	17,367.86
103.	1,981,527.52	17,501.65
104.	1,963,891.06	17,636.47
105.	1,946,118.74	17,772.32
106.	1,928,209.51	17,909.22
107.	1,910,162.33	18,047.18
108.	1,891,976.13	18,186.20
109.	1,873,649.84	18,326.29
110.	1,855,182.38	18,467.46
111.	1,836,572.66	18,609.72
112.	1,817,819.59	18,753.07

<u>Payment No.</u>	<u>Outstanding Rental Balances</u>	<u>Rental Amortization Amount</u>
113.	\$1,798,922.06	\$ 18,897.53
114.	1,779,878.96	19,043.10
115.	1,760,689.17	19,189.79
116.	1,741,351.56	19,337.61
117.	1,721,864.99	19,486.57
118.	1,702,228.31	19,636.68
119.	1,682,440.37	19,787.94
120.	1,662,500.00	19,940.37

NOTICE OF EXERCISE OF FIXED RATE OPTION

(DATE)

The CIT Group/Equipment Financing, Inc.
1540 West Fountainhead Parkway
Tempe, Arizona 05282

Gentlemen:

Capitalized terms used herein and not defined herein are used as defined in that certain Demise Charter dated as of March 27, 2000 between you, as Shipowner, and the undersigned, as Charterer, and Guarantor, respectively.

Pursuant to Article 10(b) of the Demise Charter, Charterer hereby irrevocably and unconditionally exercises the Fixed Rate Option, it being understood that the Index Rate for the week preceding the date of this Notice was ____% and that payments of Fixed Rate Basic Hire shall commence with the first payment of Basic Hire due more than thirty (30) days following the receipt by you of this Notice.

Very truly yours,

MORAN TOWING CORPORATION

BY: _____

Name:

Title:

cc: The CIT Group/Equipment Financing, Inc.
650 CIT Drive
Livingston, NJ 07039
Telephone: 973-740-5481
Fax: 973-740-5148

SCHEDULE L

Accepted and Agreed to as of the day
and year first above written:

MORAN TRANSPORTATION COMPANY,
as Guarantor

By: _____

Name:

Title:

Accepted and Agreed to as of the
day of _____, 20__ :

THE CIT GROUP/EQUIPMENT FINANCING, INC.
as Shipowner

By: _____

Name:

Title: