2.16

No. 1-106A335
Date APR 16 1981
Fee $110.00
ICC Washington, D. C.

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

RECORDATION NO. 10558-A

APR 16 1981 - 10 50 AM
INTERSTATE COMMERCE COMMISSION

Corporate Trust Department

RECORDATION NO. 10558 Filed 1425

April 16, 1981

APR 16 1981 - 10 50 AM
INTERSTATE COMMERCE COMMISSION

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

RECORDATION NO. 10558-B

APR 16 1981 - 10 50 AM
INTERSTATE COMMERCE COMMISSION

Re: Transmittal Letter for Recordation of Bareboat Charter, Charter Supplement and Security Agreement

Dear Sir:

Enclosed herewith for recordation with the Interstate Commerce Commission pursuant to 49 U.S.C. Section 11303 and 49 C.F.R. Part 1116 are three original executed copies of each of the following documents:

1. Bareboat Charter dated as of April 1, 1981 between The Connecticut Bank and Trust Company, not in its individual capacity but solely as owner trustee (the "Shipowner"), One Constitution Plaza, Hartford, Connecticut 06115, as owner of the subject vessels, and Dravo Mechling Corporation (the "Charterer"), One Oliver Plaza, Pittsburgh, Pennsylvania 15222, as demise charterer of the subject vessels.

2. Charter Supplement No. 1, dated April 1, 1981, supplementing the aforesaid Bareboat Charter and executed by the aforesaid Shipowner and Charterer.

3. Security Agreement dated as of April 1, 1981 between the aforesaid Shipowner, as debtor, and Pittsburgh National Bank, Pittsburgh National Building, Pittsburgh, Pennsylvania 15222, as lender.

Also enclosed is a check for $110 in payment of the recordation fee of $50 each for said Bareboat Charter and Security Agreement and $10 for said Charter Supplement, as required by 49 C.F.R. Section 1116.3(d).

RECEIVED
APR 16 10 43 AM '81
FEE OPERATION BR

Counterpart — Original

The foregoing agreements concern twenty box hopper barges with roll top covers, each of approximately 1223.97 gross tons and approximately 1223 net tons built or being built by Dravo Corporation at Neville Island, Pennsylvania and designated by the Shipbuilder's hull nos. 8231 through 8250, inclusive.

Please record the foregoing agreements pursuant to 49 U.S.C. Section 11303 and 49 C.F.R. Part 1116 and return one original of each document to Howard V. Mindus, Esq., Morgan, Lewis & Bockius, 9 West 57th Street, New York, New York 10019.

Very truly yours,

THE CONNECTICUT BANK AND TRUST
COMPANY, as Owner Trustee

By _____

Title: ~~Assistant~~ Vice President

Interstate Commerce Commission
Washington, D.C. 20423

OFFICE OF THE SECRETARY

Howard V. Mindus, Esq.
Morgan, Lewis & Bockius
9 West 57th Street
New York, New York 10019

4/17/81

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 4/16/81 at 10:50AM, and assigned re-recordation number(s). W-21, W-21-A, & W-21-B
Confirmation of change from number previously given.

Sincerely yours,

Agatha L. Mergenovich

Agatha L. Mergenovich
Secretary

(LMP)

Enclosure(s)

SE-30
(7/79)

RECORDATION NO. 14558-21

APR 16 1981 - 10 :0 AM

INTERSTATE COMMERCE COMMISSION

BAREBOAT CHARTER

Dated as of April 1, 1981

between

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

and

DRAVO MECHLING CORPORATION,
as Charterer

Filed with the Interstate Commerce Commission pursuant to 49 U.S.C. §11303 on April __, 1981 at __ _.m., recordation number ____.

INDEX *

		Page No.
PARTIES		
RECITALS		
Section 1.	The Charter Period.....	2
Section 2.	Subordination and Assignment of Charter.	3
Section 3.	Charter Hire.....	3
Section 4.	Notice of Mortgage and Charter.....	6
Section 5.	Disclaimer of Warranties; Claims Under the Construction Contract.....	7
Section 6.	Title to and Use of the Vessels; Documentation of the Vessels; No Liens..	9
Section 7.	Maintenance, Certification, Repairs.....	11
Section 8.	Charterer's Changes and Equipment.....	12
Section 9.	Insurance.....	14
Section 10.	Statutory Benefits.....	16
Section 11.	Compliance with Laws.....	16
Section 12.	Concerning Shipowner.....	17
Section 13.	Additional Covenants of the Charterer...	18
Section 14.	Loss, Destruction, Requisition, Etc.....	20
Section 15.	Mortgage and Security Agreement.....	23
Section 16.	Redelivery.....	23
Section 17.	The Charterer's Option to Terminate upon Vessel Becoming Obsolete or Surplus.....	25
Section 18.	Assignments and Subcharters.....	27
Section 19.	Events of Default.....	27
Section 20.	Action Following Event of Default.....	28
Section 21.	Renewal of Charter upon Expiration.....	31
Section 22.	Notices.....	33
Section 23.	Miscellaneous.....	33
Section 24.	Severability; Effect and Modification of Charter.....	34
Section 25.	Sale, Consolidation, Merger or Change of Name.....	34
Section 26.	Performance of Obligations to the Lender	35
Section 27.	Definitions.....	35
Schedule One	Form of Charter Supplement	
Schedule Two	Stipulated Loss Value and Termination Value Schedules	
Schedule Three	Title XI Reserve Fund and Financial Agreement	
Schedule X	Definitions	

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* This Index is not part of this Bareboat Charter

BAREBOAT CHARTER

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

WITNESSETH:

WHEREAS, as provided in Section 27 hereof, the capitalized terms used herein which are defined in Schedule X hereto or by reference therein to other agreements or instruments shall, unless otherwise defined herein, have the respective meanings stated in Schedule X or such other agreements or instruments.

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

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

WHEREAS, in order to assist the financing of such purchase, the Shipowner proposes to issue and sell Secured Notes to the Lender pursuant to the Participation Agreement, which Secured Notes will be secured by the Mortgage and by the Security Agreement; and

WHEREAS, the Shipowner and the Charterer desire that the Vessels be bareboat chartered by the Shipowner to the Charterer upon the terms and conditions hereof.

NOW, THEREFORE, the Shipowner agrees to let and demise, and the Charterer agrees to hire, the Vessels (or such of them as have been purchased by the Shipowner in accordance with the provisions of the Participation Agreement, the Construction Contract and the Construction Contract Assignment) on the following terms and conditions:

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

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

(b) for any period during which any Vessel shall be out of service for repairs or maintenance for more than thirty (30) consecutive days during the Charter Period; provided, however, that (i) the total extension of the Charter Period by reason of any and all such periods during which a Vessel shall be out of service shall not exceed 180 days, (ii) promptly after the end of any such period during which a Vessel shall be out of service, and also prior to the end of the Charter Period, the Charterer shall have given the Shipowner written notice of such periods during which the Vessel shall be out of service and the extent thereof, (iii) not later than the end of the Charter Period, the Charterer may, upon 90 days written notice to the Shipowner, elect not to treat any portion of or all such periods during which a Vessel shall be out of service as an extension of the Charter Period and (iv) for any extension of the Charter Period by reason of such period or periods during which a Vessel shall be out of service, the Charterer shall pay hire at a daily charter rate equal to the Basic Charter Hire of the Vessel or Vessels with respect to which the Charter Period has been extended applicable to the Charter Hire Payment Date immediately preceding such extension divided by 180, or pro rata for periods less than a day; and

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

Section 2. Subordination and Assignment of Charter. (a) Subject to the terms of Section 6.07 of Exhibit I to the Security Agreement, the Charterer agrees that this Charter is and shall be in all respects always subject and subordinate to the provisions of the Mortgage and the terms and conditions thereof. The Shipowner shall not, so long as no Event of Default has occurred and is continuing hereunder, take any action contrary to the Charterer's rights under this Charter, including without limitation the right to possession and use of any of the Vessels, and the right to renew this Charter under the renewal option hereunder, except in accordance with this Charter. The Charterer further agrees that, at any time and from time to time upon the Shipowner's request, the Charterer will execute and deliver such further documents and do such other acts and things as the Shipowner may reasonably request in order to effect further the purposes of this subordination and of the rights herein provided.

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

Section 3. Charter Hire. (a) The Charterer will pay to the Shipowner, or as the Shipowner may direct, during the Charter Period, charter hire as follows:

(1) Interim Charter Hire payable on June 30, 1981 in an amount equal to the interest accrued on the Secured Notes from the respective dates of issuance thereof and on December 31, 1981 in an amount equal to the interest accrued on the Secured Notes from July 1, 1981 through December 31, 1981; and

(2) Forty-four (44) installments of Basic Charter Hire, payable semi-annually in arrears, each of which shall be equal to the sum of the Fixed Amount for the Charter Hire Payment Date on which such installment is due plus the Variable Amount for such Date, the first such

installment being due on June 30, 1982 and subsequent installments thereof being due on each December 31 and June 30 thereafter through and including December 31, 2003. If the Charter Hire Payment Date is a Variable Charter Hire Payment Date, the Charterer shall pay Basic Charter Hire based on the estimated or exact Variable Amount set forth in the Preliminary Payment Notice, and within two Business Days after receipt of the Final Payment Notice, if any, the Charterer shall pay the excess, if any, of the exact Variable Amount as set forth in the Final Payment Notice over such estimated Variable Amount. If such estimated Variable Amount exceeds such exact Variable Amount, the Shipowner agrees to pay, or cause to be paid, to the Charterer such excess within 10 days of such Variable Charter Hire Payment Date. The Shipowner agrees to give or cause to be given to the Charterer a Preliminary Payment Notice at least 10 days prior to each Variable Charter Hire Payment Date and a Final Payment Notice within 10 days after each Variable Charter Hire Payment Date (unless the Preliminary Payment Notice states that the exact Variable Amount is set forth therein).

(b) Termination Values and Stipulated Loss Values are set forth in Schedule Two hereto.

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

(d) Each installment of Interim Charter Hire, Basic Charter Hire and any payment of Termination Value or Stipulated Loss Value made pursuant to Section 8(c), 14, 17 or 20 hereof shall be paid in such funds and at such time as to be immediately available funds in the hands of the Person to whom such installment or payment is required to be made prior to 11:00 A.M. on the date when such installment or payment is due. Every payment of Supplemental Hire other than Termination Value or Stipulated Loss Value required under this Charter or the Participation Agreement to be made by the Charterer to the Shipowner, the Owner Participant or the Lender or any other payment required to be made by the Charterer to any other Person hereunder or thereunder shall be made by bank, cashier or certified check in Pittsburgh Clearing House funds or its equivalent. All payments of Hire shall be free and clear of, and without deduction for, or on account of, any and all present or future taxes, levies, imposts, deductions or other charges whatsoever imposed or levied by any governmental or taxing authority wheresoever located. In the event of any failure on the part of the Charterer to pay any Supplemental Hire, the

Shipowner shall have all rights, powers and remedies provided for herein or at law or in equity or admiralty or otherwise in the case of nonpayment of Interim Charter Hire or Basic Charter Hire. Charterer also agrees to pay to the Shipowner, on demand, as Supplemental Hire, to the extent permitted by applicable law, interest at the Default Rate on any part of any installment of Interim Charter Hire or Basic Charter Hire not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Charter Hire not paid when demanded by the Shipowner or the Lender for the period from the date of any such demand until the same shall be paid.

(e) This Charter is a net bareboat charter, and except as herein otherwise provided no payments to be made by the Charterer under this Charter during the Charter Period shall be subject to any abatement, reduction, adjustment, right of set-off, counterclaim, recoupment or defense due to any present or future claims of the Charterer against the Shipowner or the Owner Participant under this Charter or otherwise, or against the Shipbuilder under the Construction Contract, or against any other party, or for any other reason whatsoever, nor shall the Charterer be entitled to retain any interest in or with respect to Interim Charter Hire, Basic Charter Hire or any Supplemental Hire which has already been paid to the Shipowner or to assert any right to any refund or adjustment in the event of termination of this Charter or otherwise. Except as herein otherwise provided the Charterer shall have no right to terminate this Charter before the end of the Charter Period, or be released, relieved or discharged from the obligation or liability to make all payments due hereunder for any reason whatsoever, including, without being limited to, the following: any breach of any representation or warranty of, or any act or omission of, the Shipowner under this Charter or any other agreement at any time existing between the Shipowner and the Charterer; any claims as a result of any other business dealings by the Shipowner, the Owner Participant, the Lender or the Charterer; any reorganization, arrangement, insolvency, readjustment of debt, bankruptcy, dissolution or liquidation proceeding involving the Shipowner, the Owner Participant, the Lender or the Charterer; any defect in, or damage to, or loss or destruction of, any of the Vessels from any cause; the requisitioning, seizure or other taking of title or use of any of the Vessels by any government or governmental authority or otherwise whether or not by reason of any act or omission of the Shipowner, the Owner Participant, or the Lender; the invalidity or unenforceability or lack of due authorization or other infirmity of this Charter; the lack of right, power or authority of the Shipowner to enter into this Charter; or for any other cause whether similar or dissimilar to the foregoing, any present

or future law to the contrary notwithstanding. Compliance with this Section 3(e) by the Charterer shall not waive or release any claim, right or remedy of the Charterer against any party named herein or any other Person and the enforcement thereof by any means available to the Charterer not inconsistent with the provisions of this Section 3(e).

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

(g) Notwithstanding Section 3(a) hereof, all payments required under this Charter to be made by the Charterer to the Shipowner which have been assigned to the Lender pursuant to the Security Agreement shall be payable to the Lender at the address for giving of notices set forth in Section 13 of the Participation Agreement or at such other place as the Lender shall direct in writing to the Charterer and the Shipowner.

Section 4. Notice of Mortgage and Charter. On and after the first Delivery Date the Charterer agrees to keep and maintain in its principal office a true and properly certified copy of the Mortgage and on and after each Delivery Date of a Vessel delivered after the first Delivery Date a properly certified copy of the applicable Mortgage Supplement, and the master of the Vessels shall retain such copy with the ship's papers and shall exhibit the same to any and all persons having business with any Vessel which might give rise to any maritime lien upon any Vessel (other than the lien of the Mortgage and liens for Master's and Crew's wages or salvage) and to any representative of the Shipowner or of the Lender, as required by the terms of the Mortgage. Within a reasonable time after each Delivery Date the Charterer shall also place on board each of the Vessels delivered on such Delivery Date a permanent notice in plain type of such size that the paragraph of reading matter shall cover a space not less than six inches wide by nine inches high, which notice shall be prominently placed and affixed by means of a durable plate and shall read as follows:

"NOTICE OF FLEET MORTGAGE AND CHARTER

This Vessel is owned by The Connecticut Bank and Trust Company, not in its individual capacity but solely as trustee, and is covered by a First Preferred Fleet Mortgage in favor of Pittsburgh National Bank under authority of the Ship Mortgage Act, 1920, as amended, and is under

Bareboat Charter to Dravo Mechling Corporation. No person has any right to create or permit to be placed upon this Vessel any lien whatsoever other than liens for wages of a stevedore and the crew in respect of this Vessel under certain conditions, for general average, or for salvage, or certain liens subordinate to the Mortgage incident to current operations or for repairs."

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

Section 5. Disclaimer of Warranties; Claims Under the Construction Contract. (a) Notwithstanding any other provision in this Charter, simultaneously with the delivery of each of the Vessels by the Shipbuilder to the Charterer on behalf of the Shipowner, the Charterer shall unconditionally accept delivery of the Vessels under this Charter; provided, however, that the Charterer shall not accept any Vessels hereunder after June 30, 1981 or any Vessels whose acceptance would cause the maximum investment of the Owner Participant or the maximum loan of the Lender pursuant to Section 2(b) of the Participation Agreement to be exceeded. The Charterer shall in no event reject a Vessel when so tendered by the Shipowner and no delay by the Shipbuilder in the construction and delivery of a Vessel shall affect the Charterer's duty to accept delivery.

As between the Shipowner and the Charterer, acceptance of a Vessel by an employee or designee of the Charterer on behalf of the Shipowner shall be conclusive proof of the Vessel's compliance with all requirements of this Charter and with the plans and specifications forming a part of the Construction Contract. NEITHER THE SHIPOWNER NOR THE OWNER PARTICIPANT SHALL BE DEEMED TO HAVE MADE ANY WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE QUALITY OF THE MATERIAL, EQUIPMENT OR WORKMANSHIP IN THE VESSELS, OR AS TO THE MERCHANTABILITY OF THE VESSELS OR THE FITNESS OF THE VESSELS FOR ANY PARTICULAR USE OR PURPOSE OR ANY PARTICULAR TRADE OR AS TO THE DATE OF DELIVERY OF ANY VESSEL, it being agreed that all such risks, as among the Shipowner, the Owner Participant and the Charterer, are to be borne by the Charterer during the Charter Period except

that the Shipowner represents and warrants that on the Delivery Date for each Vessel it has such title thereto as has been conveyed to it by the Shipbuilder, but subject to this Charter, the Trust Agreement, the Mortgage, and the rights of the Lender under the Security Agreement. The Charterer's acceptance of delivery of a Vessel under this Charter shall be conclusive evidence, as between the Shipowner and the Charterer, that the Vessel is in all respects satisfactory to the Charterer and the Charterer will not assert any claim of any nature whatsoever against the Shipowner based on any of the foregoing matters other than the foregoing warranty of title by the Shipowner, including any claim for delay in delivery of the Vessel.

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

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

Section 6. Title to and Use of the Vessels; Documentation of the Vessels; No Liens. (a) The Shipowner retains full legal title to the Vessels notwithstanding their delivery to and possession and use by the Charterer hereunder, and Charterer obtains no rights in the Vessels other than those set forth herein. So long as no Event of Default shall have occurred and be continuing, Charterer shall have exclusive possession, control and use of the Vessels during the Charter Period and the Charterer shall man, victual, navigate, operate, supply, fuel, maintain and repair (subject to this Charter) the Vessels at its own expense or by its own procurement throughout the Charter Period. The Shipowner hereby covenants that if, and so long as, no Event of Default shall have occurred and be continuing the Charterer shall have all the rights of possession, use and quiet enjoyment of the Vessels chartered hereunder without hindrance or molestation by the Shipowner or any other person claiming the same by, through or under the Shipowner as a result of acts or omissions of the Shipowner; provided, however, that the Shipowner shall have no responsibility for the acts of the Lender. During the Charter Period, the possession, use, operation and maintenance of the Vessels shall be at the sole risk, cost and expense of the Charterer.

(b) At or before the time of delivery of each Vessel to Charterer hereunder on the applicable Delivery Date, the Charterer shall, at the Charterer's expense, cause such Vessel to be documented in the name of the Shipowner under the laws and flag of the United States. The Charterer agrees to maintain throughout the Charter Period the documentation of the Vessels in the Shipowner's name under the laws and flag of the United States. The Shipowner will, upon the request of the Charterer, execute such documents and furnish such information as the Charterer may reasonably require to enable the Charterer to maintain such documentation.

(c) The Charterer shall, without extra cost, have the use of such equipment, outfit, appliances, tools, spare and replacement parts, non-consumable stores, etc., as shall be provided for the Vessels by the Shipowner or the Shipbuilder under the Construction Contract or other contracts. The same or any replacements thereof from time to time made by Charterer shall be returned to the Shipowner on redelivery of the Vessels in the same good order and condition as received, ordinary wear and tear and ordinary depreciation excepted. The Charterer shall provide such additional equipment, outfit, appliances, tools, spare and replacement parts, non-consumable stores, etc., as shall not be provided by the Shipowner or the Shipbuilder under the Construction Contract or other contracts and as shall

be required for operation of the Vessels. Such equipment, etc., shall remain the property of the Charterer and the Charterer shall remove the same at its expense at or before redelivery of the Vessels. Leased equipment may be placed on board the Vessels by the Charterer, but all such leased equipment shall be removed at its own expense by the Charterer prior to redelivery.

(d) The Charterer shall not directly or indirectly create, incur, assume or suffer to exist any Liens on or with respect to any of the Vessels, or any part thereof, title thereto or any interest therein, except (i) Shipowner's Liens or Owner Participant's Liens, (ii) Liens for taxes either not yet due or being contested by the Charterer in good faith and by appropriate proceedings, so long as such proceedings do not involve any substantial risk of sale, forfeiture or loss of any Vessel, or any interest therein, or interfere with the payment of Hire, (iii) materialmen's, mechanics', workmen's, repairmen's, employees', crew members' wages, longshoremen's, general average or salvage, including contract salvage, or other like Liens arising in the ordinary course of business which are not delinquent, or which are bonded, or the enforcement of which has been suspended (but then only for the duration of such suspension), and (iv) Liens upon the Charterer's interest in this Charter arising out of judgments or awards against the Charterer with respect to which at the time an appeal or proceeding for review is being prosecuted in good faith with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review. Charterer will promptly, at its own expense, take such action as may be necessary duly to discharge or eliminate or bond any Lien not excepted above if the same shall arise at any time. Except for any Liens expressly permitted by this Section 6(d), the Charterer will notify the Shipowner, the Owner Participant and the Lender of any Lien that shall attach to any Vessel, or part thereof, or interest therein, within ten days of the Charterer's learning of such attachment, together with full particulars thereof, and will promptly cause the same to be discharged.

(e) The Charterer will not knowingly charter any of the Vessels to, or knowingly permit any of the Vessels to serve under any contract with, a person included within the definition of "designated foreign country" or "national" of a "designated foreign country" in the Foreign Assets Control Regulations or Cuban Assets Control Regulations of the United States Treasury Department, 31 C.F.R., Chapter V, as now or hereafter amended, within the meaning of said Regulations or of any regulation, interpretation or ruling issued thereunder,

nor will it charter or otherwise permit any of the Vessels to be used in any fashion which will subject the Vessels to forfeiture under the laws of the United States.

Section 7. Maintenance, Certification, Repairs. (a) During the Charter Period the Charterer at its expense shall at all times maintain and preserve the Vessels in good running order and repair, in accordance with good commercial maintenance practices in all respects similar to those practices which the Charterer currently undertakes to preserve and maintain other vessels of similar size, design and class within its barge fleet, except ordinary wear and tear as provided in Section 16(a) hereof, so that the Vessels shall be, in so far as due diligence can make them so, tight, staunch, strong and well and sufficiently tackled, apparelled, furnished, equipped and in every respect seaworthy and in good operating condition.

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

(c) The Shipowner and the Lender (or any Person or Persons designated by the Shipowner or the Lender) shall have the right but not the obligation, on reasonable notice, to inspect the Vessels in a reasonable manner and at reasonable times in order to ascertain whether the Vessels are being repaired and maintained. The Charterer shall also permit the Shipowner and the Lender (or any Person or Persons designated by the Shipowner or the Lender) to inspect the Charterer's records with respect to the Vessel, whenever requested on reasonable notice, and shall at its expense furnish the Shipowner and the Lender with full information regarding any casualty or other accident or damage to a Vessel if the potential liability exceeds $1,000,000 or cost of repair arising from such casualty, accident or damage exceeds $100,000 with respect to a Vessel.

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

Participant and the Shipowner a certificate stating that the Vessels have been maintained in accordance with the requirements of this Section 7.

Section 8. Charterer's Changes and Equipment. (a) Except as otherwise specifically permitted hereby, the Charterer shall make no structural changes in any of the Vessels that would result in a violation of Section 7 hereof or Section 2.04(h) of the Security Agreement without, in each instance, first securing written approval of the Shipowner and the Lender. Subject to this Section 8, Charterer shall have the right to install any pumps, gear or equipment it may require in addition to that on board the Vessels on the applicable Delivery Date, provided that such installations are accomplished at the Charterer's expense and risk and provided further that such installation shall be readily removable without causing material damage to such Vessels. Pumps, gear or equipment so installed shall remain the property of the Charterer and the Charterer shall remove the same at the expense of the Charterer prior to the redelivery of the Vessels.

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

time had such alterations not been made assuming such Vessels were then in the condition required to be maintained by the terms of this Charter. All alterations made pursuant to this Section 8 shall be completed in a good and workmanlike manner and with reasonable dispatch. Title to all parts added to a Vessel as a result of any alteration constituting or installed in a Nonseverable Improvement shall, without further act, vest in the Shipowner free and clear of all liens, encumbrances and rights of others except those permitted hereunder, become subject to this Charter and subject to the first mortgage and security interest of the Mortgage and the Security Agreement. Title to all such parts not constituting or installed in a Nonseverable Improvement shall remain in the Charterer or such other owner as may have provided the same to the Charterer, may be removed from the Vessel by the Charterer or such other owner at any time, provided that such removal does not damage the Vessel (or any such damage is promptly repaired in good and workmanlike manner) and the Vessel after such removal is restored to the value, utility, capacity and operating condition which such Vessel would have had at such time had such alterations not been made assuming such Vessel was then in the condition required to be maintained by the terms of this Charter, and shall not constitute a part of the Vessel for any purposes hereof or of the Security Agreement or the Mortgage. In the event that Lessee has not elected to exercise its renewal rights in accordance with Section 21 hereof, then, as of the end of the Charter Period, the Shipowner shall have the right to purchase any part described in the preceding sentence which is owned by the Charterer at the end of the Charter Period for the fair market sales value thereof, as determined by agreement of the Charterer and the Shipowner or in the absence of such agreement by the Appraisal Procedure; provided that the Shipowner has given the Charterer notice of its election to purchase such part not less than six months before the expiration of the Charter Period. Any such part which the Shipowner has not so elected to purchase shall be removed from the Vessel by the Charterer prior to the expiration of the Charter Period in a good and workmanlike manner so as not to cause any material damage to the Vessel and so that the Vessel is restored to the value, utility, capacity and operating condition which such Vessel would have had at such time had such part not been added assuming such Vessel was then in the condition required to be maintained by the terms of this Charter.

(c) Provided no Event of Default has occurred or is continuing, in the event the Charterer in its judgment, as evidenced by a resolution of its Board of Directors, shall determine that any one or more Covers are obsolete or surplus for the Charterer or not suitable for further use by the Charterer, the Charterer may alter the related Vessel or Vessels by removing such Cover or Covers and arranging for the sale of such Cover or Covers for cash on behalf of the Shipowner (but at the Charterer's sole expense) to the highest bidder (which may not be the Charterer or any of is Affiliates) on any Charter Hire Payment Date on or after December 31, 1991. The Charterer shall give the Shipowner written notice of such intended sale at least 20 days prior to the solicitation of bids therefor.

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

Section 9. Insurance. (a) The Charterer shall, without cost to the Shipowner, keep the Vessels insured against such risks and in such form (including, without limitation, the form of the loss payable clause and the designation of named assureds in addition to the Shipowner) as the Lender may specify under the provisions of the Security Agreement, provided that the amount of hull and machinery insurance as to each Vessel (plus any permitted deductible) shall in no event be less than the smaller of 100% of Shipowner's Cost of such Vessel or the applicable Stipulated Loss Value of such Vessel. All policies for such insurance so taken out shall provide that (1) there shall be no recourse against the Shipowner or the Lender for the payment of premiums or commissions, (2) if such policies provide for the payment of assessments, advances, or deductibles there shall be no recourse against the Shipowner or the Lender for the payment thereof, (3) at least thirty (30) days' prior notice shall be given to the Shipowner and the Lender by the underwriters in the event of any actual or proposed cancellation

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

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

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

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

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

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

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

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

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

Section 11. Compliance with Laws. The Charterer hereby covenants that: (i) the Charterer shall comply with all applicable laws, regulations, requirements and rules, domestic and foreign, with respect to the registration, licensing, use, maintenance and operation of the Vessels (unless otherwise required by any military authority of the United States and except during any period when (1) the use or title of the Vessel has been taken, requisitioned or chartered by any government or governmental body, (2) there has been an Event of Loss with respect to any Vessel, or (3) there has been any other loss with respect to any Vessel and the Charterer shall not have had a reasonable time to repair the same) including,

without limitation, all applicable laws, rules and regulations administered by the United States Coast Guard, the Bureau of Customs, the Treasury Department, the Federal Communications Commission, the Environmental Protection Agency, the Public Health Service, the Department of Transportation and their successors, except to the extent that, with the prior written consent of the Shipowner and the Lender (which consent shall not be unreasonably withheld), such requirements shall then be contested in good faith by the Charterer; (ii) the Charterer shall keep in its offices, as and when required thereby, valid certificates showing compliance therewith; and (iii) the Charterer will make any changes or additions to the Vessels required by any applicable laws or applicable rules or regulations thereunder. Where such compliance requires the execution and delivery by the Shipowner of any instruments or the taking of any other action by the Shipowner, the Charterer will in a timely manner prepare and submit to the Shipowner such instruments and specify in writing to the Shipowner the action by it so required.

Section 12. Concerning Shipowner. All of the statements, representations, covenants and agreements made by The Connecticut Bank and Trust Company (or any entity acting as successor trustee) in its capacity as trustee under the Trust Agreement or in its individual capacity, or made by any officer of The Conecticut Bank and Trust Company (or any entity acting as successor trustee), and contained in this Charter or the documents delivered with respect thereto and all documents constituting part of the Security while in form purporting to be made by The Connecticut Bank and Trust Company (or any entity acting as successor trustee) in its capacity as trustee under the Trust Agreement or in its individual capacity or made by such officer, are, except to the extent expressly provided below in this Section 12, nonetheless made and intended only for the purpose of binding the Security and establishing the existence of rights and remedies provided for in this Charter, and such other documents which can be exercised and enforced against the Security. Therefore, anything contained in any of the aforesaid documents to the contrary notwithstanding, no recourse shall be had for the payment of any amounts due under this Charter or shall be had for any claim based on any provision of any of the documents referred to in the preceding sentence hereof, against The Connecticut Bank and Trust Company (or any entity acting as successor trustee) in its capacity as trustee under the Trust Agreement or in its individual capacity, and The Connecticut Bank and Trust Company (or any such entity acting as such successor trustee) shall not have any personal obligation, liability or duty whatsoever to the Charterer or any other Person for or with respect to any such payment, the

performance of or compliance with any statement, representation, covenant or agreement made in any such document except personal liability for its own gross negligence or willful misconduct and personal liability for breach of the Bank's convenants in Section 17 or representations in Section 6 of the Participation Agreement. Nothing contained in this Section 12 shall be construed to limit the exercise and enforcement, in accordance with the terms of this Charter and the other documents constituting part of the Security, of the rights and remedies of the Charterer against the Security.

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

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

(i) as soon as available, and in any event within 120 days after the end of each fiscal year of the Charterer, a consolidated balance sheet of the Charterer as of the end of such fiscal year and the related consolidated statements of income and retained earnings for such fiscal year, certified by independent public accountants of nationally recognized standing selected by the Charterer, all in reasonable detail and setting forth in comparative form the corresponding figures for the preceding fiscal year;

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

(iii) such other financial information relating to the affairs of the Charterer as the Shipowner, the Owner Participant or the Lender may reasonably request.

All such financial statements shall fairly present the financial condition and results of operations of the Charterer and any consolidated subsidiaries at the dates and for the periods specified therein and shall be prepared

in accordance with generally accepted accounting principles consistently applied throughout the periods covered thereby, except for immaterial changes and except for any material change in accounting principles specified in the related notes or in the accompanying certificate.

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

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

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

(e) To the extent permissible, the Charterer will prepare and file in timely fashion or, where the Shipowner is required to file, prepare and deliver (or cause to be prepared and delivered) to the Shipowner within a reasonable time prior to the date for filing any reports, certificates, applications, licenses, notices, consents, bonds, agreements, requests, orders or any other instruments or documents with respect to the Vessels, this Charter or any of the transactions contemplated hereby which are required by any federal, state or other governmental or regulatory authority. The Shipowner will take, at Charterer's cost, reasonable steps to furnish to the Charterer such information relating thereto as the Charterer may reasonably request and otherwise cooperate with the Charterer in connection therewith. The Charterer will take, at Charterer's cost, reasonable steps to furnish to the Shipowner such information relating to the Shipowner's tax reports and returns as the Shipowner may

reasonably request and otherwise cooperate with the Shipowner in connection therewith. Nothing in this Section 13(e) shall require disclosure to any Person of trade secrets or information the disclosure of which is prohibited by law.

(f) The Charterer shall comply with the provisions of Section 12 or 13, whichever is applicable pursuant to the terms thereof, of Exhibit 1 to the Title XI Reserve Fund and Financial Agreement attached hereto as Schedule Three; provided, however, that if the Secured Notes are refinanced by Title XI Obligations, Schedule Three shall be deleted and there shall be substituted in its place the Title XI Reserve Fund and Financial Agreement entered into by the Charterer and the Secretary in connection with the Title XI Obligations on the date of the issuance of the Title XI Obligations.

Section 14. Loss, Destruction, Requisition, Etc.

(a) Upon the occurrence of an Event of Loss with respect to a Vessel, the Charterer shall forthwith (and in any event within fifteen days after such occurrence) give the Shipowner and the Lender written notice of such Event of Loss and on the next Charter Hire Payment Date following the date of the occurrence of such Event of Loss (or, if there is no such Charter Hire Payment Date, on a date 30 days after the date of the occurrence of such Event of Loss) the Charterer shall pay to the Shipowner in addition to any installment of Hire then otherwise due and payable, the Stipulated Loss Value for such Vessel computed as of such date. In the event of payment in full of such Stipulated Loss Value and all other Hire then due hereunder, the obligation of the Charterer to pay Interim Charter Hire or Basic Charter Hire hereunder with respect to such Vessel after such Charter Hire Payment Date shall terminate, provided that the Charterer shall remain liable for all payments of Hire for such Vessel due on or before the date of such payment of Stipulated Loss Value.

(b) Upon the occurrence of an Event of Loss with respect to any Cover, the Charterer shall give prompt written notice thereof and shall, within 45 days after the occurrence of such Event of Loss, cause to be duly conveyed to the Shipowner as a replacement for the Cover with respect to which such Event of Loss occurred, title to another cover of the same or another manufacturer of the same, an equivalent or an improved model and suitable for installation and use on the related Vessel, free and clear of all Liens not excepted in Section 6(d) hereof and having a value and utility at least equal to, and being

in as good operating condition as, the Cover with respect to which such Event of Loss occurred, assuming such Cover was in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss. Prior to or at the time of any such conveyance, the Charterer at its own expense will (i) cause to be furnished to the Shipowner a bill of sale, in form and substance reasonably satisfactory to the Shipowner, with respect to such replacement Cover and (ii) cause a Charter Supplement, in form and substance reasonably satisfactory to the Shipowner, to be duly executed by the Charterer to the effect that, upon such conveyance, the Shipowner will acquire full title to such replacement Cover and that it will be chartered hereunder and subject to the security interest and mortgage created by, and subject to all of the terms of, the Mortgage and the Security Agreement, to the same extent as the Cover replaced thereby. Upon full compliance by the Charterer with the terms of this Section 14(b) the Shipowner will transfer to the Charterer, without recourse or warranty (except as to the absence of Shipowner's Liens and Owner Participant's Liens), all of the Shipowner's right, title and interest in and to the Cover with respect to which such Event of Loss occurred and such Cover shall thereupon cease to be a Cover chartered hereunder. For all purposes hereof, each such replacement cover shall, after such conveyance, be deemed part of the property chartered hereunder and shall be deemed a "Cover" as defined herein. Except as provided below, no Event of Loss with respect to a Cover under the circumstances contemplated by the terms of this Section 14(b) shall result in any reduction in Interim Charter Hire or Basic Charter Hire.

Notwithstanding the foregoing paragraph of this Section 14(b), the Charterer may, at its option, instead of replacing the Cover as aforesaid, notify the Shipowner, within 45 days after such Event of Loss, that it intends to pay Stipulated Loss Value with respect to such Cover. If the Charterer gives such notice to the Shipowner it shall, on the Charter Hire Payment Date next following the date of such notice, in addition to any installment of Hire then otherwise due and payable, pay the Stipulated Loss Value for such Cover computed as of such Charter Hire Payment Date. Upon payment of such Stipulated Loss Value and all Hire then due hereunder, Shipowner's Cost of the Vessel as to which such Cover relates shall be reduced by the amount set forth in the Charter Supplement for such Vessel under the caption "Shipowner's Cost of Covers". Thereupon the Shipowner will transfer to the Charterer, without recourse or warranty (except as to the absence of Shipowner's Liens and Owner Participant's Liens), all of the Shipowner's right, title and interest in and to such Cover, and such Cover shall thereupon cease to be a Cover chartered hereunder or subject to the

Mortgage or Security Agreement.

(c) Subject to Section 2.09 of the Security Agreement, payments received at any time by the Shipowner or by the Charterer from any governmental authority or other Person with respect to an Event of Loss resulting from the condemnation, confiscation, theft or seizure of, or requistion of title to or use of a Vessel or a Cover will be applied to reimburse the Shipowner for costs and expenses incurred in connection therewith and then to pay the Shipowner so much of such payments remaining as shall not exceed the Stipulated Loss Value required to be paid by the Charterer in connection therewith in reduction of the Charterer's obligation to pay such Stipulated Loss Value, if not already paid by the Charterer, or, if already paid by the Charterer, shall be applied to reimburse the Charterer for its payment of such Stipulated Loss Value, or, if such payments are in respect of a Cover which has been replaced by the Charterer pursuant to the first paragraph of Section 14(b) hereof, shall be applied to reimburse the Charterer for its costs of replacement, and the balance, if any, of such payments remaining thereafter will be paid over to, or retained by, the Shipowner.

(d) In the event of the requisition for use by the United States or any instrumentality or agency thereof (for purposes of this Section 14(d) called the "Government") or by any other governmental authority of a Vessel, the Charterer shall promptly notify the Shipowner of such requisition, and all of the Charterer's obligations under this Charter with respect to said Vessel shall continue to the same extent as if such requisition had not occurred; provided that if such requisition is by such other governmental authority and is for a period in excess of 60 days or is by the Government or such other governmental authority and continues beyond the termination of the Charter Period an Event of Loss shall be deemed to occur on the 61st day after such requisition or on the last day of the Charter Period, as the case may be. All payments received by the Shipowner or the Charterer from the Government for the use of said Vessel shall be paid over to, or retained by, the Charterer; provided that if a requisition of use results in an Event of Loss, such payments shall be disbursed as provided in Section 14(c) hereof.

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

Section 15. Mortgage and Security Agreement. The Charterer agrees that it will not take any action under this Charter or otherwise which would violate, or cause the Shipowner to violate, any of the provisions of the Mortgage or the Security Agreement and will request that the Shipowner effect any actions which, in the opinion of the Charterer, are necessary in order to establish and maintain the Mortgage as a preferred mortgage under the Ship Mortgage Act, 1920, as amended. The Shipowner agrees to effect the reasonable actions so requested and may rely on an opinion of counsel for the Charterer in so doing. The Charterer further agrees to perform all of the covenants of the Shipowner set forth in the Mortgage or the Security Agreement to the extent such covenants are by their nature capable of being performed by the Charterer. Upon request of the Charterer the Shipowner agrees to take all reasonable steps to release from the liens of the Security Agreement and the Mortgage any Vessel or Cover removed from this Charter pursuant to Section 8, 14 or 17 hereof.

Section 16. Redelivery. (a) Except to the extent that the Charterer has been relieved of the obligation by the occurrence of an Event of Loss or the provisions of Section 17 hereof with respect to one or more of the Vessels, the Charterer at its own expense shall redeliver (with 30 days written notice of the time of redelivery) each of the Vessels to the Shipowner at the expiration of the Charter Period and the extension period, if any, provided for in this Section 16, at such port or ports on the Mississippi River in the New Orleans or Baton Rouge area as the Shipowner may designate not less than 30 days prior to the expiration of the Charter Period or extension period, as the case may be, or in the absence of such designation as the Charterer may elect, in such good order and condition as when delivered hereunder and in the condition required by Section 7(a) hereof except for depreciation and

ordinary wear and tear as might reasonably be expected for vessels of similar age, class, and design engaging in operations normal to the Charterer's industry. Corrosive wear resulting from and directly attributable to the transportation of corrosive material, as defined in 49 C.F.R. §173.240 and itemized in 49 C.F.R. §172.101 (as said regulations may be amended from time to time) shall not be considered ordinary wear and tear for purposes of the preceding sentence and Section 7(a) hereof (although this provision shall not prohibit the Charterer from using the Vessel to carry corrosive materials). The Vessels shall be redelivered charter free, cargo free, with no unfulfilled requirements of any governmental agency or department having jurisdiction in the premises, and free and clear of all Liens, except for any Shipowner's Liens or Owner Participant's Liens.

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

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

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

satisfactory to the Owner Participant and the Charterer shall be selected who shall make such determination. Such determination shall be final and binding on the parties hereto. The Charterer and the Owner Participant shall equally share the costs and expenses of such surveyor.

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

Section 17. <u>The Charterer's Option to Terminate upon Vessel Becoming Obsolete or Surplus</u>. Notwithstanding any provision herein contained to the contrary, in the event that the Charterer shall in its judgment, as evidenced by a resolution of its Board of Directors, determine that any or all of the Vessels shall have become obsolete or surplus to the requirements of the Charterer for whatever reason or unsuitable for continued use in its business, the Charterer shall have the right at its option, on at least sixty (60) days' prior written notice to the Shipowner and the Lender, to terminate this Charter with

respect to any such Vessel on the date (for the purpose of this Section 17 called the "Termination Date") specified in such notice provided that (a) the Termination Date shall be a Charter Hire Payment Date occurring on or after December 31, 1991, (b) on the Termination Date no Event of Default shall have occurred and be continuing, and (c) on the Termination Date such Vessel shall be in the same condition as if being redelivered pursuant to Section 16 hereof. During the period from the giving of such notice until the Termination Date, the Charterer, at its own expense, as agent for the Shipowner, shall use its best efforts to obtain bids for the purchase of such Vessel, and the Charterer shall certify to the Shipowner the amount of each such bid and the name and address of the party submitting such bid. The Charterer shall in its sole discretion have the right to reject any bid. On the Termination Date (or on such later date as the Shipowner and the Charterer may mutually agree) the Shipowner shall, subject to the obtaining of any governmental consents required, sell such Vessel for cash to the bidder who shall have submitted the highest bid prior to the Termination Date unless the Charterer shall have rejected such bid, provided that any purchaser shall not be the Charterer or any Affiliate of the Charterer. The total sales price realized at such sale shall be paid to the Shipowner, and, in addition, on the date of such sale, the Charterer shall pay to the Shipowner (in addition to any other Hire then due and payable) the excess, if any, of the Termination Value in respect of such Vessel, computed as of the Charter Hire Payment Date occurring on the date of sale by multiplying the Shipowner's Cost of such Vessel by the applicable percentage set forth as the Termination Value for such Vessel, over the net sales price of such Vessel after deducting from such sales price any reasonable costs and expenses incurred by the Shipowner in connection with such sale. All costs of delivery of such Vessel to any purchaser thereof, if any, shall be paid by the Charterer. If no sale shall occur on the date scheduled therefor as above provided, this Charter shall continue in full force and effect with respect to such Vessel. In the event of such sale and the receipt by the Shipowner of the amounts above described, the obligations of the Charterer to pay Basic Charter Hire in respect of such Vessel on each Charter Hire Payment Date shall continue to and including the Charter Hire Payment Date occurring on the date of such sale by the Shipowner, but shall then terminate. Thereupon all the rights and obligations of the Shipowner and the Charterer hereunder with respect to such Vessel shall terminate except for those obligations which by their terms survive termination of the Charter Period. The Shipowner shall not be under any duty to solicit bids, to inquire into the efforts of the Charterer to obtain bids or otherwise to take any action or incur any cost or expense in connection with any sale pursuant

to this Section 17 other than to transfer or to cause to be transferred to the purchaser named in the highest bid certified by the Charterer to the Shipowner, all the right, title and interest of the Shipowner in and to such Vessel without recourse or warranty of any kind except that the Vessel shall be free and clear of Shipowner's Liens and Owner Participant's Liens. The Shipowner shall also transfer to such purchaser the original full warranty bill of sale from the Shipbuilder.

Section 18. Assignments and Subcharters. The Charterer shall have the right to (a) assign this Charter to an Affiliate who is a Citizen or, with the prior written consent of the Shipowner and the Lender (which consent shall not be unreasonably withheld), to a non-Affiliate who is a Citizen, provided, that, in the event of any such assignment, the Charterer shall not be released from any of its obligations and liabilities, accrued or executory, under this Charter or under the Participation Agreement, or (b) subcharter, or otherwise permit any party or parties to use (on less than a demise basis) any or all of the Vessels; provided that if such subcharter or other use is for greater than six months, the subcharterer or user shall be a Citizen and if such subcharter or other use is for greater than one year the Charterer shall send a copy of the subcharter or other use agreement to the Shipowner and the Lender. Any such subcharter or other use agreement shall be subject and subordinate to this Charter, shall be in compliance with Section 6(e) hereof and shall not relieve the Charterer from any of its obligations and liabilities, accrued or executory, under this Charter or under the Participation Agreement. Except as provided in Section 2 hereof or Article VII of the Trust Agreement, the Shipowner shall not have the right to make any assignment with respect to this Charter without the prior written consent of the Charterer, which consent shall not be unreasonably withheld.

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

(a) the Charterer shall fail to make any payment of Interim Charter Hire, Basic Charter Hire or Supplemental Hire when and as the same shall become due and payable and such failure shall continue for the lesser of 10 days after written notice thereof by the Shipowner or the Lender to the Charterer or 30 days after the failure to make such payment; or

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

not have been remedied within 10 days after written notice of such failure by the Shipowner or the Lender; or

(c) the Charterer shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder or under the Participation Agreement and such failure shall not have been remedied within 30 days after written notice of such failure from the Shipowner or the Lender; or

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

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

Section 20. Action Following Event of Default. If any Event of Default specified in Section 19 shall have occurred and be continuing the Shipowner may declare this Charter to be in default, and at any time thereafter, so long as the Charterer shall not have remedied all outstanding Events of Default, at its option, exercise any of the following rights and remedies:

(a) the Shipowner may proceed either at law, in admiralty or in equity to enforce performance by the Charterer of the applicable provisions of this Charter or to recover damages for the breach thereof; or

(b) the Shipowner may terminate this Charter, by notice in writing to the Charterer, whereupon all rights of the Charterer to the use of the Vessels shall absolutely cease and terminate, but the Charterer shall remain liable as to payment of Interim Charter Hire, Basic Charter Hire and Supplemental Charter Hire, as hereinafter in this clause (b) provided; and thereupon the Charterer shall, if requested by the Shipowner, forthwith at the Charterer's expense deliver or cause to be delivered the Vessels to the Shipowner at a safe berth on the Mississippi River in the New Orleans or Baton Rouge area, to be stored at the Charterer's expense and risk for a period not to exceed 45 days and, whether or not the Shipowner shall have made such a request, the Shipowner may enter upon and take possession of the Vessels, wherever found, whether underway or in any port, harbor or other place, without prior demand and without legal process, and for that purpose may enter upon any dock, pier or other premises and take such steps as may be necessary to take possession of the same and to discharge, deliver, redeliver or otherwise dispose of any cargo aboard the same, all at the sole risk, cost and expense of the Charterer; and thenceforth the Shipowner shall hold, possess and enjoy the Vessels free from any right of the Charterer; but the Shipowner may, nevertheless, recover from the Charterer all Hire which under the terms of this Charter may then be due and also recover forthwith from the Charterer (i) as liquidated damages for loss of the bargain and not as a penalty, an amount equal to the Stipulated Loss Value applicable to the Charter Hire Payment Date coinciding with or immediately preceding the date of such payment less the fair market sales value of the Vessels as of such payment date (as determined, at the expense of the Charterer, in accordance with the Appraisal Procedure set forth in Section 21(b) hereof); provided, however, that the fair market sales value shall be zero if the Shipowner is unable to recover possession of the Vessels in accordance with the terms of this Section 20(b); provided further, however, that if one or more Vessels have been sold by the Shipowner on or prior to the date of payment of liquidated damages, the Charterer shall pay, with respect to such Vessels, an amount equal to the Stipulated Loss Value then applicable for such Vessels less the sale price of such Vessels but plus any expenses incurred by the Shipowner in connection with such sale; (ii) interest on the Stipulated Loss Value aforesaid from such Charter Hire Payment Date to the date of payment at the Default Rate; (iii) any damages which the Shipowner shall have sustained by

reason of the breach of any provision of this Charter other than for the payment of Basic Charter Hire and Interim Charter Hire; and (iv) any expenses, including reasonable attorney's fees, which the Shipowner shall have incurred by reason of the breach of any provision of this Charter (unless already paid for in accordance with the second proviso of clause (i) of this Section 20(b)). To the extent that liquidated damages under the clause (i) above shall not have been determined on the basis of actual sale price pursuant to the second proviso thereof the Shipowner shall pay over to the Charterer an amount equal to the excess, if any, of (x) the net proceeds of any sale, charter or other disposition of the Vessels after deducting all costs and expenses whatsoever incurred by the Shipowner in connection therewith and not theretofore reimbursed by the Charterer, over (y) the fair market sales value of the Vessels actually used for purposes of computing such liquidated damages, up to an amount equal to the liquidated damages actually paid by the Charterer hereunder.

(c) The Shipowner or its agent may sell any Vessel at public or private sale, with or without notice to the Charterer, advertisement or publication, as the Shipowner may determine, or otherwise may dispose of, hold, use, operate or charter (whether for a period greater or less than the balance of what would have been the Charter Period in the absence of the termination of the rights of the Charterer to the Vessels) to others, all on such terms and conditions and at such place or places as the Shipowner may reasonably determine and all free and clear of any rights of the Charterer.

At any time after an Event of Default shall have occurred and be continuing, the Shipowner may request the Charterer to deliver, and the Charterer shall deliver, as soon as possible, a certificate setting forth the current location of all of the Vessels.

The remedies in this Charter provided in favor of the Shipowner shall not be deemed exclusive, but shall be cumulative, and shall be in addition to all other remedies in its favor existing at law, in admiralty or equity. The Charterer hereby waives, so far as permitted by law, any notice to quit or notice of re-entry or of the institution of legal proceedings to that end, any right of re-entry or repossession, or any other requirements of law, now or hereafter in effect, which may require the Shipowner to sell, lease, or otherwise use the Vessels in mitigation of Shipowner's damages as set forth in this Section or which might limit or modify the remedies herein provided.

The failure of the Shipowner to exercise its rights granted it hereunder, or the partial exercise of such rights, upon any occurrence of any of the contingencies set forth herein shall not constitute a waiver of any such rights upon the continuation or recurrence of any such contingencies or similar contingencies or preclude any other or further exercise of such rights or of any other rights.

The Shipowner may, at its option but at the expense of and for the account of the Charterer, and without waiving any of the rights of the Shipowner against the Charterer, cure any such Event of Default, and if the Shipowner shall so cure any such Event of Default it shall be entitled to interest at the Default Rate from the date of curing such Event of Default until reimbursed by the Charterer, on the amount expended by the Shipowner to cure any such Event of Default.

Section 21. Renewal of Charter upon Expiration. (a) The Charterer shall have the right, exercisable by giving a Renewal Notice to the Shipowner at least ten months prior to the expiration of the Charter Period, to renew and extend for an unlimited number of times the Original Term or any Renewal Term, as the case may be, 5, 10, 15 or all of the Vessels from the stated expiration date hereof for a period of one year at a charter rate payable semi-annually in arrears which shall be equal to the fair market bareboat charter hire then applicable to such Vessel or Vessels as of the expiration date of the Charter Period as determined by agreement between the Shipowner and the Charterer, or, if they fail to reach such agreement within 20 days of such notice, in accordance with the Appraisal Procedure set out in Section 21(b) hereof. Such Renewal Notice shall set forth the number of Vessels to be renewed and, before determining the fair market bareboat charter value thereof, the parties hereto agree to pick on a random basis which Vessels shall be included in such number.

(b) "Appraisal Procedure" shall mean the following procedure for determining the fair market sales value or the fair market bareboat charter hire or both, as the case may be, of a Vessel or Vessels: If the appropriate party hereto shall have given written notice to the other requesting determination of such value by the Appraisal Procedure, each party shall appoint an independent appraiser within 15 days of the giving of such notice. Each appraiser so appointed shall be instructed to independently determine the fair market sales value or the fair market bareboat charter hire or both, as the case may be, of the Vessel or Vessels in accordance with the respective definitions of such terms contained herein and within 40 days of the giving of such notice. If only one appraiser shall have

been so appointed within 15 days of the giving of such notice, or if two appraisers shall have been so appointed but only one such appraiser shall have made such determination within 40 days of the giving of such notice, then the determination of such appraiser shall be final and binding upon the parties. If two appraisers shall have been appointed and shall have made their determinations within the respective requisite periods set forth above and if the difference between the amounts so determined shall not exceed 10% of the lesser of such amounts, then the fair market sales value or the fair market bareboat charter hire or both, as the case may be, of the Vessel or Vessels shall be an amount equal to 50% of the sum of the amounts so determined. If the difference between the amounts so determined shall exceed 10% of the lesser of such amounts, or if neither appraiser shall have made a determination within 40 days of the giving of notice then such two appraisers shall have 15 days to appoint a third appraiser, but if such appraisers fail to do so, then either party may request the American Arbitration Association or any successor organization thereto to appoint an appraiser within 15 days of such request, and both parties shall be bound by any appointment so made within such 15 day period. If no such appraiser shall have been appointed within such 15 days or within 90 days of the original notice requesting a determination pursuant to the Appraisal Procedure, whichever is earlier, either party may apply to any court having jurisdiction to make such appointment, and both parties shall be bound by any appointment made by such court. Any appraiser appointed by the original appraisers, by the American Arbitration Association or by such court shall be instructed to determine the fair market sales value or the fair market bareboat charter hire or both, as the case may be, of the Vessel or Vessels in accordance with the respective definitions of such terms contained herein and within 30 days after its appointment. The determination of the appraiser which differs most from the determinations of the other two appraisers shall be excluded, and 50% of the sum of the remaining two determinations shall be final and binding upon the parties hereto as the fair market bareboat charter hire or the fair market sales value, as the case may be. This provision for determination by appraisal shall be specifically enforceable to the extent such remedy is available under applicable law and any determination shall be final and binding upon the parties except as otherwise provided by applicable law. The Charterer and the Shipowner shall each pay the fees and disbursements of any appraiser appointed by it and shall share equally the fees and expenses of any third appraiser and any other costs and expenses of any appraisal pursuant to this Section 21(b).

(c) Notwithstanding the foregoing provisions of this Section 21, the Charterer's request for a determination of fair market bareboat charter hire shall not obligate the Charterer to exercise its option provided in this Section 21. If the Charterer does not exercise such option, the Charterer shall pay all costs and expenses of any appraisal pursuant to Section 21(b) hereof and shall notify the Shipowner of the decision not to exercise such option at least 180 days prior to the termination of the Charter Period.

Section 22. Notices. All notices and other communications hereunder shall be mailed postage prepaid by certified mail, return receipt requested, and addressed to the Charterer and the Shipowner, respectively, at the addresses set forth on the signature page and to the Lender at Pittsburgh National Building, Pittsburgh, Pennsylvania 15222, Attention: Bruce Robbins, Vice President, or at such other address or addresses as such parties shall hereafter specify in writing to the other parties hereto. Copies of all notices and other communications to the Shipowner hereunder shall be given by the Charterer to the Owner Participant at its address set forth in the Participation Agreement.

Section 23. Miscellaneous. (a) This Charter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(b) All amounts and moneys referred to in this Charter shall be construed to mean money which at the time is lawful money of the United States.

(c) The section headings are for convenience only and shall not be construed as a part of this Charter.

(d) Except as otherwise provided herein, this Charter shall be governed by and construed in accordance with the laws of the United States and the Commonwealth of Pennsylvania.

(e) If any payment to be made by the Charterer hereunder shall become due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

(f) Any payment not made by the Charterer to the Shipowner when due as provided in this Charter shall bear interest from the due date thereof at the Default Rate until paid.

(g) If the Shipowner fails to make any payment required to be made by it hereunder or under the Participation Agreement, the Mortgage or the Security Agreement or fails to perform or comply with any of its agreements contained herein or therein, and such failure continues for 10 days after written notice thereof from the Charterer to the Shipowner the Charterer may itself make such payment or perform or comply with such agreement, and the amount of such payment and the amount of the reasonable expenses of the Charterer incurred in connection with such agreement, as the case may be, together with interest thereon at the Default Rate, shall be payable by the Shipowner to the Charterer upon demand.

Section 24. Severability; Effect and Modification of Charter. Any provision of this Charter which is prohibited or unenforceable in any jurisdiction shall be, as to such jurisdiction, ineffective to the extent of such prohibition or enforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

No variation or modification of this Charter and no waiver of any of its provisions or conditions shall be valid unless in writing and signed by duly authorized officers of the Shipowner and the Charterer, and consented to by the Lender.

Section 25. Sale, Consolidation, Merger or Change of Name. (a) Without the prior written consent of the Shipowner and the Lender (which consent shall not be unreasonably withheld), the Charterer will not merge or consolidate with any other corporation or sell, lease, transfer or otherwise dispose of substantially all of its assets to any Person; provided, however, that no such consent of the Shipowner or the Lender shall be required in the event of any consolidation or merger if (i) the Charterer is the corporation surviving such consolidation or merger, (ii) such surviving corporation shall be a Citizen and (iii) no Event of Default (or other event which with the passage of time or the giving of notice or both would become an Event of Default) shall exist immediately following such consolidation or merger.

(b) The Shipowner and the Lender may rely upon an opinion of counsel for the Charterer that any such consolidation, merger or sale, and any such succession, complies with the provisions of this Section.

(c) Unless the Charterer is the surviving corporation, with the prior written consent of the Shipowner and the Lender, any such sale may be on such terms as to release the corporation which is the Charterer immediately prior to such sale from all of its obligations under this Charter, and, in such event, the Shipowner, if so requested by such corporation, shall execute and deliver such instruments as may be deemed by such corporation to be necessary or applicable to give effect to and confirm such release.

(d) Upon any such consolidation, merger or sale, the corporation (if not the Charterer) formed by or surviving such consolidation or merger, or to which such sale shall have been made, shall succeed to and be substituted for the Charterer with the same effect as if it had been named herein and shall execute and deliver such instruments or agreements assuming the Charterer's obligations hereunder as reasonably requested by the Shipowner.

(e) The Charterer shall not change its name without prior written notice to the Shipowner and the Lender.

Section 26. Performance of Obligatons to the Lender. Notwithstanding any other provision of this Charter to the contrary, each of the provisions of this Charter which requires or permits action by the Lender, the consent, approval or authorization of the Lender, the furnishing of any document, paper or information to the Lender, or the performance of any other obligation to the Lender shall not be effective, and the sections containing such provisions shall be read as though there were no such requirements or permissions after the Security Agreement and the Mortgage shall no longer be in effect.

Section 27. Definitions. For all purposes of this Charter, unless otherwise expressly provided or unless the context otherwise requires:

(1) All references herein to sections or other subdivisions, unless otherwise specified, refer to the corresponding sections and other subdivisions of the Charter;

(2) The terms "hereof", "herein", "hereby", "hereto", "hereunder", and "herewith" refer to this Charter;

(3) Capitalized terms used herein which are not defined herein but which are defined in Schedule X attached hereto, or by reference therein to other instruments, shall have the respective meanings stated

therein or in such other instruments.

IN WITNESS WHEREOF, the Charterer and the Shipowner have executed this Charter the day and year first above written.

DRAVO MECHLING CORPORATION

By: W V Mellenauer
Vice President

One Oliver Plaza
Pittsburgh, Pennsylvania 15222

Attention: Vice President, Finance

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

By: _____
~~Assistant~~ Vice President

One Constitution Plaza
Hartford, Connecticut 06115

Attention: Corporate Trust Department

ALL OF THE SHIPOWNER'S RIGHT, TITLE AND INTEREST IN AND TO THE ABOVE CHARTER AND ALL HIRE DERIVED THEREFROM ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF THE LENDER NAMED THEREIN IN ACCORDANCE WITH THE PROVISIONS OF A SECURITY AGREEMENT BETWEEN THE SHIPOWNER AND SAID LENDER AS SECURED PARTY. TO THE EXTENT THAT SUCH CHARTER MAY BE DEEMED TO CONSTITUTE "CHATTEL PAPER" UNDER THE UNIFORM COMMERCIAL CODE OF ANY JURISDICTION, NO SECURITY INTEREST MAY BE OBTAINED IN SUCH CHARTER EXCEPT BY POSSESSION OF THE COUNTERPART THEREOF DENOTED "COUNTERPART NO. 1".

COMMONWEALTH OF PENNSYLVANIA)
) ss.:
COUNTY OF ALLEGHENY)

On this 15th day of April, 1981, before me personally appeared W. J. Mollenauer, to me personally known, who, being by me duly sworn, says that he is a Vice President of DRAVO MECHLING CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

Eileen L. McGovern
Notary Public

[Notarial Seal]

My Commission expires

EILEEN L. McGOVERN, NOTARY PUBLIC
PITTSBURGH, ALLEGHENY COUNTY
MY COMMISSION EXPIRES MAR. 24, 1984
Member, Pennsylvania Association of Notaries

COMMONWEALTH OF PENNYSLVANIA)
)ss.:
COUNTY OF ALLEGHENY)

F.W. KAWAH On this 15th day of April, 1981, before me personally appeared ~~Michael J. Rister~~, to me personally known, who, being by me duly sworn, says that he is an ~~Assistant~~ Vice President of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

ELM

Eileen L. McGovern
Notary Public

[Notarial Seal]

My Commission expires

EILEEN L. McGOVERN, NOTARY PUBLIC
PITTSBURGH, ALLEGHENY COUNTY
MY COMMISSION EXPIRES MAR. 24, 1984
Member, Pennsylvania Association of Notaries

Schedule One
to
Bareboat Charter

Filed with the Interstate Commerce Commission pursuant to 49 U.S.C. §11303 on _____, 1981 at _____ __M., recordation number ____.

CHARTER SUPPLEMENT NO. __

THIS CHARTER SUPPLEMENT NO. __, dated _____, 1981, to Bareboat Charter dated as of April 1, 1981 (the "Charter") between DRAVO MECHLING CORPORATION (the "Charterer") and THE CONNECTICUT BANK AND TRUST COMPANY, not in its individual capacity but solely as owner trustee under the Trust Agreeement dated as of April 1, 1981 between it and New England Merchants Leasing Corporation B-7 (in its capacity as such owner trustee, the "Shipowner").

WITNESSETH:

WHEREAS, the Charter provides for the execution and delivery on the Delivery Date of a Vessel or Vessels of a Charter Supplement, substantially in the form hereof;

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, the Shipowner and the Charterer hereby agree as follows:

(1) The Shipowner hereby confirms that it has let, chartered and demised to the Charterer under the Charter, and the Charterer hereby confirms that it has

unconditionally accepted and hired from the Shipowner under the Charter, for all purposes thereof the following numbered Vessel(s) (the "delivered Vessel(s)") with the Official Number and designation by the Charterer as follows:

Name	Hull No.	Official No.

(2) The Delivery Date of each delivered Vessel is the date of this Charter Supplement.

(3) The Shipowner's Cost of each delivered Vessel and the Cover relating thereto on the Delivery Date is as follows:

Hull Number	Shipowner's Cost of Vessel Including Cover	Shipowner's Cost of Cover
Total Shipowner's Cost		

==========

(4) The Charterer hereby confirms as between it and the Shipowner that the delivered Vessels comply with the requirements of the Charter and with all

specifications of the Construction Contract; provided, however, that nothing contained herein shall in any way diminish or otherwise affect any right which the Charterer, the Shipowner or the Lender may have with respect to such Vessels against Dravo Corporation or any subcontractor of Dravo Corporation under the Construction Contract or otherwise.

IN WITNESS WHEREOF, the Shipowner and the Charterer have caused this Charter Supplement to be duly executed as of the day and year first above written.

DRAVO MECHLING CORPORATION

By: _____

Title: _____

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

By: _____

Title: _____

ALL OF THE SHIPOWNER'S RIGHT, TITLE AND INTEREST IN AND TO THE ABOVE CHARTER SUPPLEMENT AND ALL HIRE DERIVED THEREFROM ARE SUBJECT TO A SECURITY INTEREST IN FAVOR OF THE LENDER NAMED THEREIN IN ACCORDANCE WITH THE PROVISIONS OF A SECURITY AGREEMENT BETWEEN THE SHIPOWNER AND SAID LENDER AS SECURED PARTY. TO THE EXTENT THAT SUCH CHARTER SUPPLEMENT MAY BE DEEMED TO CONSTITUTE "CHATTEL PAPER" UNDER THE UNIFORM

COMMERCIAL CODE OF ANY JURISDICTION, NO SECURITY INTEREST MAY BE OBTAINED IN SUCH CHARTER SUPPLEMENT EXCEPT BY POSSESSION OF THE COUNTERPART THEREOF DENOTED "COUNTERPART NO. 1".

THIS DOCUMENT IS COUNTERPART NO. 1 OF THIS CHARTER *

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* Insert in one copy only.

COMMONWEALTH OF PENNSYLVANIA)
) ss.:
COUNTY OF ALLEGHENY)

On this ____ day of April, 1981, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is a _____ of DRAVO MECHLING CORPORATION, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

COMMONWEALTH OF PENNSYLVANIA)
) ss.:
COUNTY OF ALLEGHENY)

On this ____ day of April, 1981, before me personally appeared _____, to me personally known, who, being by me duly sworn, says that he is a _____ of THE CONNECTICUT BANK AND TRUST COMPANY, that one of the seals affixed to the foregoing instrument is the corporate seal of said Corporation, that said instrument was signed and sealed on behalf of said Corporation by authority of its Board of Directors and he acknowledged that the execution of the foregoing instrument was the free act and deed of said Corporation.

_____
Notary Public

[Notarial Seal]

My Commission expires

Schedule Two
to
Bareboat Charter

Stipulated Loss Values

and

Termination Values

Charter Hire Payment Date	Stipulated Loss Value Percentage*	Termination Value Percentage*
June 30, 1981	107.093173%	105.036786%
December 31, 1981	107.093173	105.036786
June 30, 1982	108.992704	106.894845
December 31, 1982	110.665830	108.525661
June 30, 1983	108.501745	106.977469
December 31, 1983	109.416612	107.861595
June 30, 1984	110.224709	108.638332
December 31, 1984	110.898481	109.280111
June 30, 1985	111.467286	109.816277
December 31, 1985	111.906840	110.222535
June 30, 1986	112.243643	110.525368
December 31, 1986	112.456764	110.703838
June 30, 1987	112.569828	110.781549
December 31, 1987	112.565364	110.741021
June 30, 1988	112.464063	110.602928
December 31, 1988	112.252049	110.353378
June 30, 1989	111.947031	110.010068
December 31, 1989	111.538852	109.562827
June 30, 1990	111.042203	109.026326
December 31, 1990	110.450796	108.394264
June 30, 1991	109.776242	107.678236
December 31, 1991	109.016308	106.875989
June 30, 1992	108.179477	105.995994
December 31, 1992	107.267837	105.040319
June 30, 1993	105.448538	103.176096
December 31, 1993	103.523327	101.205056
June 30, 1994	101.493417	98.751535
December 31, 1994	99.106322	95.650410
June 30, 1995	95.932325	92.406717

* After payment of all other Hire due and payable on the applicable Charter Hire Payment Date.

December 31, 1995	92.648892	89.052180
June 30, 1996	89.234747	85.565499
December 31, 1996	85.729121	81.985873
June 30, 1997	82.100235	78.281498
December 31, 1997	78.383671	74.487920
June 30, 1998	74.540557	70.566239
December 31, 1998	70.610449	66.555977
June 30, 1999	66.551276	62.415038
December 31, 1999	62.407208	58.187552
June 30, 2000	58.132581	53.827827
December 31, 2000	53.776899	49.385327
June 30, 2001	49.290443	44.810305
December 31, 2001	44.728899	40.158408
June 30, 2002	39.957123	35.294457
December 31, 2002	34.994037	30.237337
June 30, 2003	29.896003	25.043373
December 31, 2003 and thereafter	24.752477	19.801982

Schedule Three
to
Bareboat Charter

Contract No.
MA-8870

TITLE XI RESERVE FUND AND FINANCIAL AGREEMENT

AMONG

UNION MECHLING CORPORATION,

CARDINAL CARRIERS, INC.,

MARINE TRANSIT COMPANY,

RIVER FORWARDERS, INC.,

SOUTHERN TRANSFER COMPANY,

AND

THE UNITED STATES OF AMERICA

Dated January 31, 1978

TITLE XI RESERVE FUND AND FINANCIAL AGREEMENT

Special Provisions

THIS TITLE XI RESERVE FUND AND FINANCIAL AGREEMENT, dated January 31, 1978, among UNION MECHLING CORPORATION, a Delaware corporation ("UMC"); CARDINAL CARRIERS, INC., a Delaware corporation, MARINE TRANSIT COMPANY, a Delaware corporation, RIVER FORWARDERS, INC., a Delaware corporation, and SOUTHERN TRANSFER COMPANY, a Delaware corporation (collectively, the "Subsidiaries", and individually, a "Subsidiary"); and the United States of America (the "United States"), represented by the Secretary of Commerce, acting by and through the Assistant Secretary of Commerce for Maritime Affairs (the "Secretary"), pursuant to the provisions of Title XI of the Merchant Marine Act, 1936, as amended. UMC and the Subsidiaries are hereinafter collectively referred to as the "Company".

RECITALS:

A. UMC has authorized the issuance of obligations designated "United States Government Guaranteed Ship Financing Bonds" in an aggregate principal amount not to exceed $11,150,00 (individually, an "Obligation" and, collectively, the "Obligations") to finance a portion of the cost of construction of fifty-eight barges (the "Vessels");

B. Under the provisions of an Authorization Agreement (the "Authorization Agreement") dated the date hereof, entered into between the Secretary and the Indenture Trustee, the Secretary has authorized a guarantee to be endorsed upon each of the Obligations, pursuant to which the Secretary has guaranteed the payment in full of all of the unpaid interest to the date of payment on, and all of the unpaid principal balance of, each Obligation (individually, a "Guarantee" and, collectively, the "Guarantees");

C. UMC, in consideration of the execution of the Authorization Agreement and of the Guarantees, and as security to the United States for the payment to the United States of the principal of and the interest due or to become due on the Secretary's Note in accordance with the terms thereof, has made and entered into a Security Agreement (the "Security Agreement") dated the date hereof, between UMC and the United States,

pursuant to which UMC has assigned to the Secretary, among other things, its right, title and interest in and to the Construction Contracts and certain moneys payable thereunder; and

D. On the date hereof UMC has executed and delivered a First Preferred Fleet Mortgage on the Vessels in favor of the Secretary (herein, as the same may be amended or supplemented, called the "Mortgage"), and on the Delivery Date of each undelivered Vessel will execute a Mortgage Supplement extending the lien of the Mortgage to the Vessel being delivered on such Delivery Date.

E. The Subsidiaries have executed a guaranty (the "Guaranty") of payment upon default of the Shipowner of an amount equal to the principal and interest on the outstanding Mortgage balance on the Vessels and any foreclosure or other administrative costs incurred by the Secretary in realizing upon the Guaranty.

GRANTING CLAUSE

NOW, THEREFORE, in consideration of the premises and other valuable consideration, receipt of which is hereby acknowledged, and in order to provide further security to the Secretary for the Guarantees, the Company is entering into this Title XI Reserve Fund and Financial Agreement and does provide herein for the grant, conveyance, mortgage, pledge, confirmation, assignment and transfer unto the Secretary of its right, title, and interest to the Title XI Reserve Fund (hereinafter defined), to be held subject to the terms and conditions herein set forth.

ARTICLE FIRST

Definitions

For all purposes of this Title XI Reserve Fund and Financial Agreement, unless otherwise expressly provided or unless the context otherwise requires:

(1) All references to Sections or other subdivisions, unless otherwise specified, refer to the corresponding Sections and other subdivisions of this Title XI Reserve Fund and Financial Agreement;

(2) The terms "hereof", "herein", "hereto", "hereunder" and "herewith" refer to this Title XI

Reserve Fund and Financial Agreement; and

(3) Terms defined in Schedule X to the Commitment to Guarantee Obligations, Contract No. MA-8866, dated the date hereof, or by reference therein to other instruments shall have the respective meanings stated in Schedule X or such other instruments.

ARTICLE SECOND

Incorporation of General Provisions

This Title XI Reserve Fund and Financial Agreement shall consist of two parts: the Special Provisions of the Title XI Reserve Fund and Financial Agreement and the General Provisions, attached hereto as Exhibit 1, made a part of the Title XI Reserve Fund and Financial Agreement and incorporated herein by reference.

ARTICLE THIRD

Additions; Deletions and Amendments to Exhibit 1

The following additions, deletions and amendments are hereby made to Exhibit 1 hereto.

(1) The provisions of subsection 1(a)(1)(B) of Exhibit 1 hereto are hereby amended by deleting said subsection 1(a)(1)(B) and substituting therefor the following:

"(B) Any securities, obligations or evidences of indebtedness of an Affiliate of the Company or of any stockholder, director, Officer or employee (or any member of his family) of the Company or of such Affiliate, except advances to agents or such Affiliates required for the normal current operation of the Company's vessels and not outstanding for more than 90 days and current receivables arising out of the ordinary course of business and not outstanding for more than 90 days;"

(2) The provisions of Section 1(b) of Exhibit 1 hereto are amended by changing the figure "60" to "90".

(3) The Secretary has determined pursuant to paragraph

(c) of Section 1 of Exhibit 1 hereto that for purposes of this Agreement, Deferred Lease Hire shall be zero as of the date hereof provided, however, that the Secretary may in his sole discretion at a future date require that Deferred Lease Hire be computed in accordance with Rule 3-16 of the Securities and Exchange Commission Regulations SX ("Rule 3-16") or such other formula the application of which would result in an amount not exceeding that derived from Rule 3-16.

(4) Pursuant to Section 13(a) of Exhibit 1 hereto, the Company, with the consent of the Secretary, has elected to be governed by the provisions of Paragraphs (b) and (c) of Section 13 of Exhibit 1 hereto, and Section 12 of Exhibit 1 hereto is deleted in its entirety.

(5) The provisions of Section 13(b)(12) of Exhibit 1 hereto are amended by deleting the words "or have" from tne first line of such Section.

(6) The provisions of Section 13(b)(13) of Exhibit 1 hereto are amended by changing the first two lines thereof to read "Create or assume any mortgage, lien, charge or encumbrance upon" and by deleting the words "or own" in the sixth line thereof.

(7) The restrictions set out in Section 13(c)(3) shall not apply to any contract or demise charter between or among UMC and any Subsidiary with respect to the Vessels.

(8) The amount of annual lease payments permitted by Section 13(b)(9) of Exhibit 1 nereto shall be $500,000.

(9) The words "Event of" are deleted from the ninth line of Section 5(c) of Exhibit 1 and from the second line of Section 6 of Exhibit 1. The words "an Event of Default" are deleted from the fifteenth and seventeenth lines of paragraph (b) of Section 10 of Exhibit 1 and the words "a Default" are substituted in lieu thereof in each instance.

(10) The provisions of Section 13(c) of Exhibit One hereto are amended by adding the following at the end thereof:

> '(8) perform any services for an Affiliate or have any services performed by an Affiliate except at a fair market rate or, if not at such a rate, at a rate approved by the Secretary."

(11) The Company covenants and agrees that it will not create or cause to be created any new wholly owned subsidiaries unless each such subsidiary enters into this Title XI Reserve Fund and Financial Agreement and the Guaranty.

ARTICLE FOURTH

This Title XI Reserve Fund and Financial Agreement shall apply to the vessel or vessels listed in Attachment A hereto. Any allocable financial requirements or other specific requirements relating to a particular vessel or vessels shall be so indicated in Attachment A. Except as otherwise provided in Exhibit 1 hereto, it is the intention of the parties hereto that this Title XI Reserve Fund and Financial Agreement shall be continuously in effect so long as the Company has any vessels with Title XI insurance or guaranteed obligations outstanding.

ARTICLE FIFTH

Counterparts

This Title XI Reserve Fund and Financial Agreement may be signed in a number of counterparts, each of which shall be an original but all of which shall be deemed one agreement.

ARTICLE SIXTH

Concerning the Special Provisions

In the event of any conflict in, or inconsistency between the Special Provisions of this Title XI Reserve Fund and Financial Agreement and Exhibit 1 hereto, the Special Provisions shall control.

IN WITNESS WHEREOF, this Title XI Reserve Fund and Financial Agreement has been executed by the parties hereto on the day and year first above written.

UNION MECHLING CORPORATION

By /s/ Peter K. Sour
V.P.

ATTEST:

/s/ Arthur J. Brosius

CARDINAL CARRIERS, INC.

By /s/ Peter K. Sour
V.P.

ATTEST:

/s/ Arthur J. Brosius

MARINE TRANSIT COMPANY

By /s/ Peter K. Sour
V.P.

ATTEST:

/s/ Arthur J. Brosius

RIVER FORWARDERS, INC.

By /s/ Peter K. Sour
V.P.

ATTEST:

/s/ Arthur J. Brosius

SOUTHERN TRANSFER COMPANY

By /s/ Peter K. Sour
V.P.

ATTEST:

/s/ Arthur J. Brosius

UNITED STATES OF AMERICA
SECRETARY OF COMMERCE

By /s/ James S. Dawson
Secretary
Maritime Administration

ATTEST:

/s/ Peter C. Williams
Assistant Secretary
Maritime Administration

ATTACHMENT A
Section 2 and 13 Requirements

Vessel	Official No.	Cumulative Net Worth	10% of Equity Investment
58 Barges	578114-578163, 586292-586293 586739-586744	$27,975,600	$210,858,

NOTE: Upon the addition or deletion of any Vessel or Vessels covered by this Agreement, the Net Worth and Working Capital shall be adjusted accordingly.

ATTACHMENT A

A. Name and Address of Title XI Reserve Fund Depository.

Mercantile-Safe Deposit and Trust Company
Two Hopkins Plaza
P.O. Box 2258
Baltimore, Maryland 21203

B. Name and Address of Company

Union Mechling Corporation
One Oliver Plaza
Pittsburgh, Pennsylvania 15222

EXHIBIT 1

General Provisions Incorporated into the Title XI Reserve Fund and Financial Agreement by Reference

This Title XI Reserve Fund and Financial Agreement shall apply to the vessel or vessels listed in Attachment A hereto. Any allocable financial requirements or other specific requirements relating to a particular vessel or vessels shall be so indicated in Attachment A. It is the intention of the parties hereto that this Title XI Reserve Fund and Financial Agreement shall be continuously in effect so long as the Company owns or leases any vessels with Title XI insurance or guaranteed obligations outstanding.

Section 1. Definitions. For all purposes of this Title XI Reserve Fund and Financial Agreement, the terms used herein shall have the meaning specified below or specified in the Special Provisions hereof.

(a) The Term "Working Capital" shall mean the excess of current assets over current liabilities, both determined in accordance with generally accepted accounting principles and adjusted as follows:

(1) In determining current assets there shall be deducted:

(A) Amounts in and/or required to be set aside in any Reserve Fund required to be maintained pursuant to any agreement covering a vessel owned or leased by the Company and insured or guaranteed by the Secretary or in any other similar fund under any other mortgage indenture or agreement of the Company;

(B) Any securities, obligations or evidences of indebtedness of an Affiliate of the Company or of any stockholder, director, Officer or Employee (or any member of his family) of the Company or of such Affiliate, except advances to agents required for the normal current operation of the Company's vessels and current receivables arising out of the ordinary course of business and not outstanding for more than 60 days;

(C) An amount equal to any excess of Unterminated Voyage Revenue over Unterminated Voyage

Expenses.

(2) In determining current liabilities there shall be deducted any excess of Unterminated Voyage Expenses over Unterminated Voyage Revenue.

(b) The term "Net Worth" shall mean, as of any date, the total of paid-in capital stock, paid-in surplus, earned surplus and appropriate surplus, and all other amounts that would be included in net worth in accordance with generally accepted accounting principles, but exclusive of (1) any receivables from any stockholder, director, officer, or employee of the Company or from any Affiliate of the Company (other than current receivables arising out of the ordinary course of business and not outstanding for more than 60 days) and (2) any increment resulting from the reappraisal of assets.

(c) The term "Deferred Lease Hire" shall mean, as of any date, the long-term portion of obligations (Title XI and otherwise) relating to vessels, equipment or facilities leased or chartered by the Company on a long-term basis as determined by the Secretary in his sole discretion, which determination shall be set forth in the Special Provisions hereof.

(d) The term "Long-Term Debt" shall mean, as of any date, the total of notes, bonds, debentures, equipment obligations and other evidences of indebtedness that would be included in long-term debt in accordance with generally accepted accounting principles and any guarantees, Deferred Lease Hire or other liability for the obligations of any other corporation, person or entity, except in respect of any undertaking of the Company as to the fees and expenses of an indenture trustee, and except endorsements for deposit of checks and other negotiable instruments acquired in the ordinary course of business, but exclusive of deferred income taxes.

(e) The term "Allocable Net Worth" shall mean, as of any date, Net Worth required to be maintained or set aside by the Company (whether by operation of negative covenants similar to those contained herein or otherwise) under any indenture, mortgage or agreement (including this Title XI Reserve Fund and Financial Agreement) or law or regulation by which the Company is bound, as determined by the Secretary.

(f) The term "Allocable Working Capital" shall mean, as of any date, Working Capital required to be maintained or

set aside by the Company (whether by operation of negative covenants similar to those contained herein or otherwise) under any indenture, mortgage or agreement (including this Title XI Reserve Fund and Financial Agreement) or law or regulation by which the Company is bound, as determined by the Secretary.

(g) The term "Unterminated Voyage Revenue" shall mean all voyage revenues in respect of an unterminated voyage as determined in accordance with generally accepted accounting principles.

(h) The term "Unterminated Voyage Expenses" shall mean all voyage expenses incurred in respect of an unterminated voyage as determined in accordance with generally accepted accounting principles.

(i) The term "Affiliate" shall mean any individual, corporation, partnership, joint venture, etc. directly or indirectly controlled by or under common control with another individual, corporation, partnership, joint venture, etc.

(j) The term "Vessel" shall mean any vessel or vessels owned or leased by the Company subject to a Title XI mortgage and which are subject to the provisions of this agreement. Each Vessel covered by this agreement is specified in Attachment A hereto.

Section 2. Title XI Reserve Fund Deposits. (a) The Company agrees to establish with the depository named in Attachment A hereto (herein called the "Title XI Reserve Fund Depository"), at the time the first deposit is required to be made hereunder and to maintain thereafter, in accordance with the provisions hereof, a special joint depository account (herein called the "Title XI Reserve Fund") pursuant to a depository agreement to be executed at or prior to the time the first deposit is required to be made hereunder.

(b) (1) Within 120 days after the end of each fiscal year of the Company, the Company shall compute its net income derived from the operations of the Vessel (including dividends and interest on any Title XI Reserve Fund investments for such fiscal year) after deducting all applicable costs and expenses, including voyage operating expenses, charter hire, reasonable allocation of administrative and general expenses (including agency fees and commissions) and provisions for income and profits taxes (computed and actually paid to the appropriate taxing

authority or otherwise provided for on the books of the Company) at the effective tax rate of the consolidated group in the event the income or the loss of the Company is included in a consolidated tax return and, with the prior written consent of the Secretary, provision for deferred federal income taxes and other special reserves (but before provision for depreciation if said Vessel is owned by the Company), determined in accordance with the system of accounts prescribed by the Maritime Administrator in General Order 22 (Revised), as now or hereafter amended (46 CFR, Part 282), and in General Order 31 (Revised), as now or hereafter amended (46 CFR 286), to the extent applicable and to the extent they are not applicable, then in accordance with generally accepted accounting practices. The net income of the Vessel computed in accordance with this Section 2(b)(1), if any, is herein called the "Title XI Reserve Fund Net Income", provided that, in the event the Company shall have withdrawn any amounts from the Title XI Reserve Fund to pay costs or expenses which would otherwise be included in "applicable costs and expenses," as such terms are used in this paragraph (b), such amounts shall not be included as a deduction in computing Title XI Reserve Fund Net Income;

(2) Promptly after the computation of the Title XI Reserve Fund Net Income by the Company:

(A) If the vessel is owned by the Company, then from the Title XI Reserve Fund Net Income for the Vessel shall be deducted, on an annual basis (or pro rata for any period less than a full fiscal year) first, an amount equal to the principal amount of the Title XI obligations related to such Vessel required to be paid or redeemed and actually paid and redeemed or optionally paid and cancelled or purchased on the open market and cancelled by the Company (other than from the Title XI Reserve Fund) during such fiscal year and, second, the amount (pro rated for a period of less than a full fiscal year) specified in Attachment A, which is 10% of the Company's aggregate original equity investment related to said Vessel.

(B) The Company shall, unless otherwise approved by the Secretary in writing, deposit into the Title XI Reserve Fund an amount equal to 50 percentum of the balance of the Title XI Reserve Fund Net Income remaining after the above deductions.

(C) The Company shall also deposit into the Title XI Reserve Fund moneys required to be so deposited pursuant to the Special Provisions of the Security Agreement and any other similar agreement to which the Company is a party. The deposit required by this subparagraph (C) shall be made at such time and from time to time, as funds are available pursuant to such provisions or agreements.

(D) Irrespective of the Company's deposit requirements into the Title XI Reserve Fund as herein stated, the Company shall not be required to make any deposits into the Title XI Reserve Fund if (i) the Title XI obligations and the related Secretary's Note with respect to the Vessel shall have been satisfied and discharged and if the Company shall have paid or caused to be paid all other sums secured under the Security Agreement and/or the Mortgage, (ii) all of the Guarantees on the Outstanding Obligations shall have been terminated pursuant to the provisions of the Security Agreement or, (iii) the amount (including any securities at current market value) in the Title XI Reserve Fund is equal to, or in excess of 50% of the principal amount of the outstanding Title XI obligations related to the Vessel; provided, however, if at any time after the date hereof, (x) the Company's Working Capital is equal to at least one dollar plus one-half of all annual charter hire and other lease obligations (having a term of more than six months) due and payable within the succeeding fiscal year, other than charter hire and such other lease obligations already included as a current liability on the Company's balance sheet, (y) the Company's Long-Term Debt does not exceed two times the Company's New Worth and (z) the Company's Net Worth is at least the amount specified in Attachment A hereto, the Company may by written notice to the Secretary elect in accordance with paragraph (a) of Section 13 to be governed by the terms and conditions set forth in paragraphs (b) and (c) of Section 13 hereof and from and after the date of such election, the Company shall not be required to make any deposits into the Title XI Reserve Fund if the income of the Vessel (which would cause such deposit under subparagraph (2) above) is Non Deposit Year Income. The term "Non Deposit Year Income" as used herein shall mean any income derived from the operation of the Vessel earned during any fiscal year of the Company at the end of which;

(x) the Company's Working Capital

is equal to at least one dollar plus one-half of all annual charter hire and other lease obligations (having a term of more than six months) due and payable within the succeeding fiscal year, other than charter hire and such other lease obligations, already included as a current liability on the Company's balance sheet,

(y) The Company's Long-Term Debt does not exceed two times the Company's Net Worth, and

(z) the Company's Net Worth is at least equal to the amount specified in Attachment A hereto.

(E) The Company shall deliver to the Secretary (with a copy to the Title XI Reserve Fund Depository) at the time of each deposit into the Title XI Reserve Fund pursuant to subparagraphs (B), (C) or (G) of paragraph (b)(2) of this Section 2, a statement of an independent certified public accountant or firm of accountants (who may be the regular auditors for the Company) stating that such deposit has been computed in accordance with the provisions of said subparagraphs (B), (C) and/or (G) and showing the pertinent calculations; provided that, any such statement with respect to said subparagraph (G) need be made only by the Treasurer or an Assistant Treasurer of the Company.

(F) In addition, the Company shall deliver to the Secretary (with a copy to the Title XI Reserve Fund Depository), within 120 days after the end of each fiscal year of the Company, a statement by such certified public accountant or firm of accountants stating (i) the total amount of all deposits which were required to be so deposited into the Title XI Reserve Fund in respect of such fiscal year (and showing the pertinent calculations), or (ii) that no such deposit was required to be made in respect of such fiscal year (and showing the pertinent calculations), or (ii) that no such deposit was required to be made in respect of such fiscal year (and showing the pertinent calculations) and that at the end of such fiscal year no adjustments pursuant to subparagraph (H) of paragraph (b)(2) of this Section 2 were required to be made (and, if such adjustments were required to be made, stating the reasons therefor).

(G) The Company shall also redeposit into

the Title XI Reserve Fund a sum equal to that portion of any withdrawal therefrom pursuant to this Title XI Reserve Fund and Financial Agreement representing any increment in the Company's tax liability resulting from net capital gains realized from capital transactions in the Title XI Reserve Fund for any tax year which, because of subsequent tax adjustments resulting from examination by the Internal Revenue Service in respect of net capital gains realized from capital transactions in the Title XI Reserve Fund for such tax year, is excessive.

(E) The computation of all deposits required by this Section 2 shall be made on the basis of information available to the Company at the time of each such deposit. Each such deposit shall be subject to adjustments from time to time in the event and to the extent that the same would be required or permitted by mistakes or omissions, additional information becoming available to the Company, or judicial or administrative determinations made subsequent to the making of such deposits.

Section 3. Withdrawals from the Title XI Reserve Fund. (a) From time to time, moneys in the Title XI Reserve Fund shall be subject to withdrawal by delivery by the Company to the Secretary of a Request for Payment (specifying the Person or Persons to be paid and the amount of such payment) executed by the Company, together with an Officer's Certificate of the Company stating the reasons and purpose for the withdrawal.

(b) Upon approval by the Secretary of the Request for Payment evidenced by the countersignature thereon of the Secretary, the Secretary shall cause the Request for Payment to be delivered to the Title XI Reserve Fund Depository, which shall promptly make payment to such Person or Persons in accordance with the terms of such Request for Payment.

(c) The purposes for which withdrawals may be made, subject to the prior approval of the Secretary, are the following:

(1) for application toward the redemption of Title XI Bonds or Obligations;

(2) for payment of charter hire;

(3) for payment to the Company, as of the end of each tax year of the Company (and thereafter as any

tax adjustments of the Company may require), in amounts equal to any increments in the Company's tax liability resulting from net capital gains realized from capital transactions in the Title XI Reserve Fund consummated during such tax year.

(4) for payment into the Company's general funds in an amount equal to the interest and dividends (including realized discount on investments bought and sold on such discount basis but excluding accrued interest paid upon purchase and stock dividends, securities or other property received) on investments in the Title XI Reserve Fund as earned and collected irrespective of the current market value of the assets then held in the Title XI Reserve Fund;

(5) for payment into the Company's general funds in an amount equal to that portion of the Title XI Reserve Fund which is in excess of 50% of the principal amount of the Outstanding Title XI Bonds or Obligations; and

(6) for any other payment with the prior written approval of the Secretary.

Section 4. Termination of the Title XI Reserve Fund. (a) The Title XI Reserve Fund with respect to the related Vessel or Vessels shall terminate at such time as (i) the Title XI Bonds or the Obligations and the related Secretary's Note shall have been satisfied and discharged and the Company and/or the Shipowner shall have paid or caused to be paid all other sums secured under the Security Agreement and/or the Mortgage, or (ii) the Contract of Insurance of Mortgage shall have been terminated or all of the Guarantees of the Outstanding Obligations shall have terminated pursuant to paragraphs (2) or (4) of Section 3.05 of Exhibit 1 to the Security Agreement.

(b) Upon the termination of the Title XI Reserve Fund, for any reason specified in Section 4(a), the moneys remaining in the Title XI Reserve Fund shall be subject to withdrawal and payment into the general funds of the Company, after deduction therefrom of any due and unpaid fees and expenses incurred by the Title XI Reserve Fund Depository pursuant to Section 10 hereof, in accordance with the procedures for withdrawals specified in Section 3.

(c) Upon payment by the Secretary to the Indenture Trustee of the Insurance under the Contract of Insurance of Mortgage or the Guarantees pursuant to the Indenture and the

Authorization Agreement by reason of an Event of Default, the Title XI Reserve Fund shall, upon written instructions of the Secretary, be terminated and the balance remaining in the Title XI Reserve Fund shall be paid to the Secretary and the Company as determinated by the Secretary. In the event that the Secretary determines that the Title XI Reserve Fund shall be terminated pursuant to the provisions of this Section 4(c) and the balance thereof paid as provided herein, the Title XI Reserve Fund Depository shall disburse the balance of the Title XI Reserve Fund in accordance with such written instructions from the Secretary, after deduction therefrom of any due but unpaid fees and expenses incurred by the Title XI Reserve Fund Depository pursuant to Section 10 hereof.

(d) Any withdrawal from the Title XI Reserve Fund pursuant to the provisions of this Section 4 shall not effect any discharge of or diminish any obligations of the Company under any Security Agreement, Mortgage or Charter as the case may be except to the extent that the amount withdrawn is applied to payments required to be made by the Company under such Security Agreement, Mortgage or Charter.

Section 5. Title XI Reserve Fund Investments; Form of Deposits. (a) Moneys in the Title XI Reserve Fund shall, if so directed by a Request of the Company delivered to the Title XI Reserve Fund Depository (with a copy to the Secretary), be invested by the Title XI Reserve Fund Depository in:

(1) time deposits, negotiable certificates of deposit, or similar instruments of deposit with a bank or trust company organized as a corporation under the laws of the United States or any State thereof, or of the District of Columbia, subject to supervision or examination by Federal or State authority or authority of the District of Columbia, and having a combined capital and surplus of at least $3,000,000; provided however, that the aggregate of all such time deposits and certificates of deposit with any one bank or trust company shall not exceed 10% of the combined capital and surplus of such bank or trust company;

(2) short term commercial paper having either of the two highest ratings for short term commercial paper assigned by any two nationally recognized organizations regularly engaged in rating the investment quality of such commercial paper; and

(3) securities (designated by the Company in

such Request) which at the date of such investments are:

(A) direct obligations of, or obligations (other than the Obligations or Other Title XI Bonds or Obligations Related to Company) fully guaranteed or insured by, the United States or any agency of the United States or, with the prior written consent of the Secretary and subject to such conditions as may be imposed by him, obligations or securities fully insured by an instrumentality of the United States;

(B) bonds, not in default as to principal or interest, of any county, municipality or state of the United States and having either of the two highest ratings for bonds assigned by any two nationally recognized organizations regularly engaged in rating the investment quality of such bonds;

(C) bonds, not in default as to principal or interest, of corporations organized and existing under the laws of the United States or of the District of Columbia or of any state of the United States and having one of the three highest ratings for bonds assigned by any two nationally recognized organizations regularly engaged in rating the investment quality of such bonds; provided that, no investment under this clause (C) shall be made in any obligations of the Company or an Affiliate of the Company;

(D) capital stock, but limited at the time of acquisition to any amounts in the Title XI Reserve Fund in excess of the principal amount of Title XI Bonds or Obligations to be paid at Maturity, or to be redeemed pursuant to the mandatory sinking fund provisions of the Indenture, during the next succeeding 12 months (taking Eligible Investments, as hereinafter defined, at current market value), of (i) corporations organized and existing under the laws of the United States or the District of Columbia or of any state of the United States if such stock is currently fully listed and registered upon an exchange registered with the Securities and Exchange Commission as a national

securities exchange and permitted for investment by a savings bank under the laws of the State of New York without regard to the provisions therein limiting such investments to a percentage of the assets or surplus of such savings bank, (ii) banks either regulated by the Comptroller of the Currency of the United States or subject to the Banking Law of the State of New York, or (iii) insurance companies licensed to do business in such state; provided that no investment under this clause (D) shall be made in stock of the Company or an Affiliate of the Company; or

(E) securities approved by the Secretary in writing; provided that, if any of the securities are securities so designated in any Request made pursuant to the provisions of subparagraph (3)(D) of this Section 5(a), such Request shall be accompanied by an Opinion of Counsel as to the qualification of such securities under the said subparagraph (3)(D) and provided further, that the Company shall, unless otherwise agreed to in writing by the Secretary, cause to be sold, within 90 days after the close of the fiscal year of the Company, or at any time if the Secretary so directs the Company in writing, any securities which have not qualified or have ceased to qualify under the provisions of this Section 5(a).

The investments permitted by this Section 5(a) are herein called "Eligible Investments."

(b) In any case where the Company is required to deposit or redeposit a sum or sums into the Title XI Reserve Fund, the Company shall make the required deposit in cash or, with the prior written approval of the Secretary, may in lieu thereof deposit into the Title XI Reserve Fund, negotiable certificates of deposit, short term commercial paper or securities which are (i) Eligible Investments under this Title XI Reserve Fund and Financial Agreement, (ii) owned by the Company and (iii) of an equivalent current market value (based upon the last sales price thereof on the Business Day immediately preceding such deposit or, if there shall have been no sale thereof on such day, the average of the last known bid and asked prices). With the prior written approval of the Secretary,

the Company may exchange cash in the Title XI Reserve Fund for Eligible Investments owned by the Company and of an equivalent current market value (determined as above provided). The Company may also, without the approval of the Secretary, exchange Eligible Investments in the Title XI Reserve Fund at current market value (determined as above provided) for an equivalent amount of cash.

(c) Cash held in the Title XI Reserve Fund will be held in a special joint depository account in the names of the Company and the Secretary. All securities or short term commercial paper held in the Title XI Reserve Fund and all securities or short term commercial paper deposited in the Title XI Reserve Fund shall, unless in bearer form or endorsed in blank, be registered and held in the name of the Title XI Reserve Fund Depository or any nominees of the Title XI Referve Fund Depository, whether or not there is an existing Event of Default under any Security Agreement or Charter relating to any Vessel listed in Attachment A hereto.

Section 6. Company's Rights in Respect of Securities Held in the Title XI Reserve Fund. Unless there is an existing Event of Default under any Security Agreement or Charter relating to any Vessel listed in Attachment A hereto, the Company shall have:

(1) the right to vote securities held in the Title XI Reserve Fund as to (A) the sale of all or any part of the assets of the issuer or obligor thereof, (B) the increase or reduction of the capital of such issuer or obligor, (C) the liquidation, dissolution, merger or consolidation of such issuer or obligor, or (D) any purpose which would not then materially impair the lien of, or the security interest granted by, the Security Agreement and/or the Mortgage; and

(2) the right to exercise any and all rights of ownership of such securities, including the right to consent or object to the extension, modification or renewal of any thereof, the right to consent or object to any plan of reorganization, or readjustment, and the right to exercise any right privilege or option pertaining thereto.

Section 7. Annual Statement of Company in Respect to the Title XI Reserve Fund. Within 120 days after the close of each fiscal year of the Company at the end of which there are funds in the Title XI Reserve Fund (or at such other time

or times as the Secretary may request in writing), the Company shall submit to the Secretary (with a copy to the Title XI Reserve Fund Depository) (i) an Opinion of Counsel as to the qualification, under the provisions of subparagraph (3)(D) of Section 5(a), of securities acquired pursuant to said subparagraph (3)(D) and then held in the Title XI Reserve Fund and (ii) a list of the Eligible Investments held in the Title XI Reserve Fund at the close of said fiscal year (or at the time or times of the Secretary's request as aforesaid).

Section 8. The Secretary's Security Interest in the Title XI Reserve Fund. All amounts held in the Title XI Reserve Fund, whether in cash or in investments, shall constitute and be held by the Title XI Reserve Fund Depository as security for any sums which may be payable under the Security Agreement and/or the Mortgage.

Section 9. Fund in Lieu of Title XI Reserve Fund. In the event the Vessel or Vessels are subject to a capital construction fund established by the Company, as provided in Section 607 of the Act, whether interim or permanent (herein called the "Capital Construction Fund"), at any time when deposits would otherwise be required to be made into the Title XI Reserve Fund, and the Company elects to deposit such funds into the Capital Construction Fund, then the Company shall enter into an agreement satisfactory in form and substance to the Secretary to the effect that (i) the Capital Construction Fund and all assets so deposited therein shall be and constitute security to the United States in lieu of the Title XI Reserve Fund and the deposit requirements of Section 2 of this Title XI Reserve Fund and Financial Agreement shall be deemed satisfied by deposits of equal amounts in the Capital Construction Fund and (ii) the Company and the Secretary may execute such further agreements or documents and take such other actions as may be deemed necessary by the Secretary to perfect the pledge of the security of the Capital Construction Fund.

Section 10. The Title XI Reserve Fund Depository's Fees, Expenses and Responsibilities. (a) The Company agrees to pay or cause to be paid the fees, if any, and expenses (including counsel and investigatory fees) of the Title XI Reserve Fund Depository incurred in connection with the performance of its duties hereunder. The duties of the Title XI Reserve Fund Depository are only such as are specifically provided herein, being purely ministerial in nature, and the Title XI Reserve Fund Depository shall incur no liability whatsoever, except for willful misconduct or gross negligence.

(b) The Title XI Reserve Fund Depository shall be under no responsibility in respect of any of the items deposited with it other than to comply with the specific duties and responsibilities herein set forth and in any written instructions of the Secretary, Request for Payment, Request, and approval of the Secretary herein provided for, and, without limiting the generality of the foregoing, the Title XI Reserve Fund Depository shall have no obligation or responsibility to determine (i) the correctness of any Request for Payment, Request, written instructions, approval, statement, calculation or opinion, supplied by the Company, an independent certified public accountant or firm of accountants, counsel, or by the Secretary, (ii) the source of any deposit hereunder or whether any amount deposited in or withdrawn from the Title XI Reserve Fund is proper, or (iii) the existence of an Event of Default under any Security Agreement or Charter, as the case may be, relating to any Vessel listed in Attachment A hereto or (iv) whether the existence of an Event of Default under any such Security Agreement or Charter, as the case may be, shall restrict or require any action of the Title XI Reserve Fund Depository hereunder, other than as may be provided in any written instructions, Request for Payment, Request, or approval of the Secretary. The Title XI Reserve Fund Depository may consult with counsel and shall be fully protected in any action taken in accordance with such advice received from such counsel. The Title XI Reserve Fund Depository shall not be required to defend any legal proceedings which may be instituted against it in respect of the subject matter of this Title XI Reserve Fund and Financial Agreement unless requested to do so by the parties hereto and indemnified to its satisfaction against the cost and expense of such defense (including counsel and investigatory fees) and shall not be required to institute legal proceedings of any kind. The Title XI Reserve Fund Depository shall have no responsibility for the genuineness or validity of any document or other item deposited with it and shall be fully protected in acting in accordance with any written instructions, Requests for Payment, Request, or approval of the Secretary received by it hereunder and believed by it to have been signed by the proper parties. The Title XI Reserve Fund Depository shall have no duties or responsibilities in respect of Section 12 or 13 of this Title XI Reserve Fund and Financial Agreement.

Section 11. Successor Title XI Reserve Fund Depositories. (a) The Title XI Reserve Fund Depository may resign at any time by giving written notice to the Company and

the Secretary. The Title XI Reserve Fund Depository may at any time be removed by the Company with the prior written consent of the Secretary or by the Secretary by notice in writing delivered to the Title XI Reserve Fund Depository with a copy to the Company.

(b) Any resignation or removal of the Title XI Reserve Fund Depository shall be effective only upon appointment by the Company of a successor Title XI Reserve Fund Depository and the latter's acceptance.

(c) If any notice of resignation or of removal shall have been given pursuant to paragraph (a) of this Section, then a successor Title XI Reserve Fund Depository shall promptly be appointed by the Company, with the prior written consent of the Secretary.

(d) Upon appointment and acceptance as Title XI Reserve Fund Depository, each successor Title XI Reserve Fund Depository shall forthwith, without further act or deed, succeed to all the rights and duties of its predecessor under this Title XI Reserve Fund and Financial Agreement. Such predecessor shall promptly deliver to such successor Title XI Reserve Fund Depository all sums held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Title XI Reserve Fund Depository under this Title XI Reserve Fund and Financial Agreement. Upon the written request of the successor Title XI Reserve Fund Depository, the Secretary or the Company and upon payment of all amounts due to such predecessor under this Title XI Reserve Fund and Financial Agreement, such predecessor shall transfer, assign and confirm to the successor Title XI Reserve Fund Depository all its rights under this Title XI Reserve Fund and Financial Agreement by executing and delivering from time to time to the successor Title XI Reserve Fund Depository such further instruments and by taking such other action as may reasonably be deemed by such successor Title XI Reserve Fund Depository, the Secretary or the Company to be necessary or appropriate in connection therewith.

Section 12. Financial Requirements of the Company.

(a) The Company agrees that it will not, without the prior written consent of the Secretary take any of the actions set forth below in this paragraph (a), unless after giving effect to such transaction or transactions during any fiscal year of the Company (i) the Working Capital of the Company

would exceed the amount of Allocable Working Capital specified in Attachment A, plus one-half of all charter hire and other lease obligations (having a term of more than six months) due and payable within the succeeding fiscal year, other than charter hire and such other lease obligations already included and reported as a current liability on the Company's balance sheet and (ii) the Net Worth of the Company would exceed the amount of Allocable Net Worth specified in Attachment A and such action is based upon financial statements of the Company showing its financial condition as of the end of its latest regular intermediate accounting period and there shall not have occurred since the date of such financial statement a material adverse change in such financial condition which would prohibit such action:

(1) Withdraw any capital;

(2) Redeem any share capital or convert any of the same into debt;

(3) Pay any dividend (except dividends payable in capital stock of the Company), provided, however, if the Company is a party to an Operating Differential Subsidy agreement with the Secretary, it may pay dividends as permitted by the conservative dividend policy as set forth in General Order 114;

(4) Make any loan or advance (except advances to cover current expenses of the Company), either directly or indirectly, to any stockholder, director, officer, or employee of the Company, or to any Affiliate of the Company;

(5) Make any investments in the securities of any Affiliate of the Company;

(6) Prepay in whole or in part any indebtedness to any stockholder, director, officer or employee of the Company, or to any Affiliate of the Company, which has a stated maturity of more than one year from such date;

(7) Increase any direct employee compensation (as hereinafter defined) paid to any employee to an amount in excess of $50,000 per annum; nor increase by more than 10% per annum any direct employee compensation paid to any employee whose direct compensation is in excess of $35,000 per annum; nor increase any direct employee compensation which is already in excess of $50,000 per

annum; nor initially employ or re-employ any person at a direct employee compensation rate in excess of $50,000 per annum; for the purpose of this section the term "direct employee compensation" is the total amount of any wage, salary, bonus, commission, or other form of direct payment to any employee as reported to the Internal Revenue Service for any fiscal year; or

(8) Acquire any fixed assets other than those required for the normal maintenance and operation of any vessel or vessels owned or chartered by the Company.

(b) Additional Covenants. The Company shall not, without the prior written consent of the Secretary:

(1) Create, assume, permit or suffer to exist or continue any mortgage, lien, charge or encumbrance upon, or pledge of, or subject to the prior payment of any indebtedness, any of its property or assets, real or personal, tangible or intangible, whether now owned or hereafter acquired, or own or acquire, or agree to acquire, title to any property of any kind subject to or upon a chattel mortgage or conditional sales agreement or other title retention agreement, except (i) loans, mortgages and indebtedness guaranteed or insured by the Secretary under Title XI of the Act or related to the construction of a vessel approved for Title XI by the Secretary and (ii) liens incurred in the ordinary course of business as such business presently exists;

(2) Enter into any service, management or operating agreement for the operation of the Vessel (excluding husbanding type agreements), or appoint or designate a managing or operating agent for the operation of the Vessel (excluding husbanding agents) unless approved by the Secretary;

(3) Sell, mortgage, transfer or demise charter the Vessel or any other assets except as permitted by subsection (b)(6) below (or transfer any fixed assets or charter the Vessel to an Affiliate of the Company under any form of charter or contract);

(4) Guarantee, or otherwise become liable for the obligations of any other corporation, person or other entity, except in respect of any undertakings as to the fees and expenses of the Indenture Trustee, except

endorsement for deposit of checks and other negotiable instruments acquired in the ordinary course of business and except as otherwise permitted in this Section 12(b);

(5) Directly or indirectly embark on any new enterprise or business activity not directly connected with the business of shipping or other activity in which the Company is actively engaged;

(6) Enter into any merger or consolidation or convey, sell or otherwise transfer or dispose of any substantial portion of its properties or assets, provided, however, the Company shall not be deemed to have conveyed, sold, transferred or disposed of (any of which acts is encompassed within the word "sold" as used herein) a substantial portion of its properties or assets if the assets sold by the Company in each such transaction after the date thereof do not exceed 10% of the Company's total assets as reflected by the most recent audited balance sheet furnished to the Secretary immediately prior to the transaction in question; and, provided further, that the Company shall not be deemed to have sold assets if an amount equal to the proceeds of the disposition has been reinvested in fixed assets of the Company or placed in a Capital Construction Fund established by the Company;

(7) Create, assume, incur or in any manner become or be liable in respect of any indebtedness, except current liabilities, or short term loans incurred or assumed in the ordinary course of business as such business presently exists;

(8) Make or have any investment, whether by acquisition of stock or indebtedness, or by loan, advance, transfer of property, capital contribution, guarantee of indebtedness or otherwise, in any person or corporation, other than obligations of the United States Government, bank deposits or investments in securities of the character permitted for moneys in the Title XI Reserve Fund;

(9) Pay any subordinated indebtedness other than in accordance with the terms of any applicable subordination agreement approved by the Secretary. The Company shall file with the Secretary a copy of each subordination agreement approved by the Secretary;

(10) Enter into any agreement for both (i) sale

and (ii) leaseback of the same assets so sold unless the proceeds from such sale are at least equal to the fair market value of the property sold;

(11) Either enter into or become liable (directly or indirectly) under charters and leases (having a term of six months or more) for the payment of charter hire and rent on all such charters and leases which have annual payments aggregating in excess of the amount specified in the Special Provisions hereof.

Section 13. Optional Financial Requirements of the Company.

(a) If, at any time after the date hereof (i) the Company's Working Capital is equal to at least one dollar plus one-half of all annual charter hire and other lease obligations (having a term of more than six months) due and payable within the succeeding fiscal year, other than charter hire and such other lease obligations already included and reported as a current liability on the Company's balance sheet, (ii) the Company's Long-Term Debt does not exceed two times the Company's Net Worth, and (iii) the Company's Net Worth is as specified in Attachment A hereto, as evidenced by an audited financial statement of the Company showing its financial condition as of the end of its regular intermediate accounting period, then the Company may by written notice to the Secretary elect to be governed by the covenants set forth in this Section 13 and from and after the date of such election the covenants set forth in Section 12 of this Agreement shall cease to apply to the Company.

(b) Unless, after giving effect to such transaction or transactions, during any fiscal year of the Company;

(i) the Company's Working Capital is equal to at least one dollar plus one-half of all annual charter hire and other lease obligations (having a term of more than six months) due and payable within the succeeding fiscal year, other than charter hire and such other lease obligations already included and reported as a current liability on the Company's balance sheet, (ii) the Company's Long-Term Debt does not exceed two times the Company's Net Worth and (iii) the Company's Net Worth is at least the amount specified in Attachment A hereto, the Company shall not, without the prior written consent of the

Secretary:

(1) Withdraw any capital;

(2) Redeem any share capital or convert any of the same into debt;

(3) Pay any dividend (except dividends payable in capital stock of the Company) provided, however, if the Company is a party to an Operating Differential Subsidy agreement with the Secretary, it may pay dividends as permitted by the conservative dividend policy as set forth in General Order 114;

(4) Make any loan or advance (except advances to cover current expenses of the Company), either directly or indirectly, to any stockholder, director, officer, or employee of the Company, or to any Affiliate of the Company;

(5) Make any investments in the securities of any Affiliate of the Company;

(6) Prepay in whole or in part any indebtedness to any stockholder, director, officer or employee of the Company, or to any Affiliate of the Company, which has a stated maturity of more than one year from such date;

(7) Increase any direct employee compensation (as hereinafter defined) paid to any employee to an amount in excess of $75,000 per annum, nor increase by more than 10% per annum any direct employee compensation paid to any employee whose direct compensation is in excess of $50,000 per annum; nor increase any direct employee compensation which is already in excess of $75,000 per annum; nor initially employ or re-employ any person at a direct employee compensation rate in excess of $75,000 per annum; for the purpose of this section the term "direct employee compensation" is the total amount of any wages, salary, bonus, commission, or other form of direct payment to any employee as reported to the Internal Revenue Service for any fiscal year;

(8) Acquire any fixed assets other than those required for the maintenance of the Company's existing assets, including the normal maintenance and operation of any vessel or vessels owned or chartered by the Company;

(9) Either enter into or become liable (directly or indirectly) under charters and leases (having a term of six months or more) for the payment of charter hire and rent on all such charters and leases which have annual payments aggregating in excess of the amount specified in the Special Provisions hereof;

(10) Pay any indebtedness subordinated to the Obligations or to any other Title XI obligations related to ship mortgages, trust indentures, security agreements and charters to which the Company is a party;

(11) Create, assume, incur, or in any manner become liable for any indebtedness, except current liabilities, or short term loans, incurred or assumed in the ordinary course of business as such business presently exists;

(12) Make or have any investment, whether by acquisition of stock or indebtedness, or by loan, advance, transfer of property, capital contribution, guarantee of indebtedness or otherwise, in any person or corporation, other than obligations of the United States Government, bank deposits or investments in securities of the character permitted for moneys in the Title XI Reserve Fund;

(13) Create, assume, permit or suffer to exist or continue any mortgage, lien, charge or encumbrance upon, or pledge of, or subject to the prior payment of any indebtedness, any of its property or assets, real or personal, tangible or intangible, whether now owned or hereafter acquired, or own or acquire, or agree to acquire, title to any property of any kind subject to or upon a chattel mortgage or conditional sales agreement or other title retention agreement, except (i) loans, mortgages and indebtedness guaranteed or insured by the Secretary under Title XI of the Act or related to the construction of a vessel approved for Title XI by the Secretary and (ii) liens incurred in the ordinary course of business as such business presently exists.

(c) Additional Covenants. The Company shall not without the prior written consent of the Secretary:

(1) Pay any dividend in any annual amount in excess of the greater of (i) 40% of the Company's net income after tax for the immediately preceding fiscal year or

(ii) 40% of the Company's estimated net income after tax for the current fiscal year, provided that, such estimated net income is based upon actual net income after tax for the first nine months of the current year; provided, however, that if, after giving effect to the transaction, the Company's Long-Term Debt (excluding deferred income tax) would not exceed the Company's Net Worth then this restriction shall not apply;

(2) Enter into any service, management or operating agreement for the operation of the Vessel (excluding husbanding type agreements), or appoint or designate a managing or operating agent for the operation of the Vessel (excluding husbanding agents) unless approved by the Secretary;

(3) Sell, mortgage, transfer or demise charter the Vessel or any other assets except as permitted by subparagraph (7) below (or transfer any fixed assets or charter the Vessel to an Affiliate of the Company under any form of charter or contract);

(4) Enter into any agreement for both (i) sale and (ii) leaseback of the same assets so sold unless the proceeds from such sale are at least equal to the fair market value of the property sold;

(5) Guarantee, or otherwise become liable for the obligations of any other corporation, person or other entity, except in respect of any undertakings as to the fees and expenses of the Indenture Trustee, except endorsement for deposit of checks and other negotiable instruments acquired in the ordinary course of business and except as otherwise permitted in this Section 13(c);

(6) Directly or indirectly embark on any new enterprise or business activity not directly connected with the business of shipping or other activity in which the Company is actively engaged;

(7) Enter into any merger or consolidation or convey, sell or otherwise transfer or dispose of any substantial portion of its properties or assets provided, however, the Company shall not be deemed to have conveyed, sold, transferred or disposed of (any of which acts is encompassed within the word "sold" as used herein) a substantial portion of its properties or assets if the

assets sold by the Company in each such transaction after the date hereof do not exceed 10% of the Company's total assets as reflected by the most recent balance sheet furnished to the Secretary immediately prior to the transaction in question and provided further, that the Company shall not be deemed to have sold assets if an amount equal to the proceeds of the disposition has been reinvested in fixed assets of the Company or placed in a Capital Construction Fund established by the Company.

Section 14. Financial Statements. (a) The accounts of the Company shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accounts, certified or licensed by a regulatory authority of a state or other political subdivision of the United States, who may be the regular auditors for the Company, and the Company shall furnish to the Secretary, (i) within 120 days after the end of each fiscal year of the Company commencing with the first fiscal year ending after the date of this agreement, a balance sheet of the Company as of the close of such fiscal year and a statement of income and surplus of the Company for such fiscal year, all in reasonable detail and certified by such public accountants and in the form of M.A. Form 172 or such other form as may be approved in writing by the Secretary and shall include a certificate of such accountants as to compliance by the Company with the provisions hereof, and (ii) within 90 days after the expiration of each first semi-annual period of each fiscal year commencing with the first such semi-annual period ending after the date of this Agreement, a balance sheet of the Company as at the end of such period, and a statement of income and surplus of the Company from the beginning of such period to the end of such period, all in reasonable detail, in the form of M.A. Form 172 or such other form as may be approved in writing by the Secretary, unaudited but certified as correct by an appropriate officer of the Company on the basis of the accounting records of the Company and to the best of his knowledge and belief.

(b) Annual No Default Certificates. Within 120 days after each fiscal year of the Company which ends after the execution and delivery of this agreement, the Company shall furnish to the Secretary an Officer's Certificate dated as of the Close of such fiscal year stating whether or not, to the knowledge of the signers, the Company is in default in the performance of or compliance with any covenant, agreement or condition contained in (i) any Mortgage, Security Agreement

or Charter relating to any Vessel listed in Attachment A hereto or (ii) this Agreement, and, if so, specifying each such default of which the signer may have knowledge and stating the nature thereof.

Section 15. Qualifying Financial Requirements of the Company. Immediately upon the execution and delivery of this Agreement, the Company shall have Net Worth and Working Capital of not less than the cumulative amounts specified in Attachment A, provided, however, if the Company qualifies under Section 13(a) of this Agreement and elects pursuant to Section 13(a) to be governed by the provisions of paragraphs (b) and (c) of Section 13, then the Company shall meet the requirements with respect to Working Capital, Net Worth and Long Term Debt specified in Section 13(a) immediately upon the execution and delivery of this Agreement.

Section 16. Notices. Except as otherwise provided in this Title XI Reserve Fund and Financial Agreement, notices, request, directions, instructions, waivers, approvals or other communication may be made or delivered in person or by registered or certified mail, postage prepaid, addressed to the party as provided below, or to such other address as such party may hereafter specify in a written notice to the other parties named herein, and all notices or other communications shall be in writing so addressed and shall be effective upon receipt by the addressee thereof:

The Secretary as:	Secretary of Commerce c/o Assistant Secretary of Commerce for Maritime Affairs Maritime Administration Department of Commerce Washington, D. C. 20230
The Title XI Reserve Fund Depository as:	See Attachment A
The Company as:	See Attachment A

Section 17. Amendments and Supplements. No agreement shall be effective to amend, supplement, or discharge in whole or in part this Title XI Reserve Fund and Financial Agreement unless such agreement is in writing signed by the parties hereto. In addition this Exhibit 1 to this Agreement is a standard Maritime Administration document dated December 1, 1974 and

may not be altered in any way. Any amendments, additions, deletions, substitutions or other changes affecting the provisions as expressly stated in this Exhibit 1 shall be made only in the Special Provisions or Attachment A. Any amendments, additions, deletions, substitutions or other changes not made in accordance with this provision shall be invalid and of no effect.

In the event of any change in Exhibit 1 not reflected in Article Third of this Title XI Reserve Fund and Financial Agreement, such change shall not be of any effect and the changed portion hereof will be considered deleted, and the changed Section will read as it appears in the Standard Maritime Administration document dated December 1, 1974.

SCHEDULE X - DEFINITIONS

"Act" means the Merchant Marine Act, 1936, as amended.

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

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

"Affiliate" of any specified Person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, the term "control" when used with respect to any specified Person means the 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" have meanings correlative to the foregoing.

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

"Authorized Newspapers" means "The Wall Street Journal" (all editions), "The Journal of Commerce" and a newspaper of general circulation in Pittsburgh, Pennsylvania printed in the English langugage, and customarily published on each Business Day, whether or not published on Saturdays, Sundays or legal holidays. Whenever successive publications in Authorized Newspapers are required, they may be made in the same or in different Authorized Newspapers. If, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or for any other reason, it is impossible or impractical to publish any notice required to be published in the Authorized Newspapers in the manner required, then such publication in lieu thereof as shall be made in the reasonable discretion of the Lender shall constitute a sufficient publication of such notice.

"Bank" means The Connecticut Bank and Trust Company, a Connecticut banking corporation, and its successors and assigns.

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

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

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

"Change in Debt" means the occurrence of any of the following as a result of a refinancing of the Secured Notes as contemplated by Section 19(a) or (b) of the Participation Agreement: (i) other than 69.804891% of Shipowner's Cost of all Vessels is refinanced with the proceeds of the Refinancing Obligations; (ii) the interest rate borne by the Refinancing Obligations is other than 14% per annum, or (iii) the final maturity of the Refinancing Obligations, the method or schedule of amortization of the principal amount of the Refinancing Obligations or the number or frequency of the installment payments of such principal, differs from the final maturity of the Secured Notes or the method or schedule of amortization of the principal amount of the Secured Notes or the number or frequency of the installment payments of such principal.

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

"Change in Transaction Costs" means (i) a change in the amount of Transaction Costs which results in the actual amount of Transaction Costs (including Refinancing Costs) being greater or lesser than .99% of Shipowner's Cost, or (ii) a change in the ratio of the total investment of the Owner Participant in Shipowner's Cost to the aggregate original principal amount

of Secured Notes as a result of the payment by the Owner Participant of 100% of Differential Shipowner's Cost under the circumstances contemplated by Section 2(d) of the Participation Agreement.

"Charter" means the Bareboat Charter dated as of April 1, 1981 between the Shipowner and the Charterer, as the same may be modified, amended or supplemented (whether by a Charter Supplement or otherwise) from time to time in accordance with the applicable provisions thereof.

"Charterer" means Dravo Mechling Corporation, a Delaware corporation, and its successors and assigns.

"Charter Hire Payment Date" means June 30, 1981, December 31, 1981 and each June 30 and December 31 following thereafter through and including December 31, 2003 and, during any Renewal Term, each June 30 and December 31 thereof.

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

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

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

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

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

"Consent of Shipbuilder" means the Consent of Shipbuilder dated as of April 1, 1981 by the Shipbuilder to the Shipowner and the Lender, as the same may be modified, amended or supplemented from time in accordance with the applicable provisions thereof.

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

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

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

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

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

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

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

"Delivery Date Certificate of Shipowner's Cost" means, with respect to any Vessels, a certificate of the Charterer, substantially in the form of Exhibit G to the Participation Agreement, approved by the Shipowner, dated the Delivery Date for such Vessels, which shall set forth in reasonable detail for such Vessels (a) the amount of all items of Vessel Costs and Transaction Costs which have been paid prior to the date

of said certificate, (b) the amount of all items of Vessel Costs and Transaction Costs which are due and payable on such Delivery Date specifying to whom each such item is payable and attaching to such certificate an invoice, bill or similar document, if available, of each person who is to be paid and (c) the amount of the Owner Participant's investment and the Lender's loan to be made pursuant to Section 2(c) of the Participation Agreement.

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

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

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

"Event of Loss" with respect to any Vessel or Cover means any of the following events with respect to such Vessel or Cover: (i) loss of such Vessel or Cover or of the use thereof due to theft, disappearance, destruction or damage thereto which, in the sole opinion of the Charterer, shall make repair thereof uneconomical or make such Vessel or Cover permanently unfit for normal use for any reason whatsoever; (ii) any damage to such Vessel or Cover which results in an insurance settlement with respect to such Vessel or Cover on the basis of a total loss; (iii) the condemnation, forfeiture, confiscation or seizure (for a period in excess of five days, unless occurring as a result of or in connection with a Lien required to be discharged pursuant to Section 17 of the Participation Agreement, in which event for a period continuing beyond 120 days) of, or requisition of title to, such Vessel or Cover provided that, if such condemnation, forfeiture, confiscation or seizure under this clause (iii) occurs as a result of or in connection with Shipowner's Liens or Owner Participant's Liens and if, on or prior to the date for payment of Stipulated Loss Value with respect to such Event of Loss, the Vessel or Cover condemned, forfeited, confiscated or seized is recovered by the Shipowner or the Charterer, no Event of Loss shall be deemed to have occurred and the Charter shall continue in full force and effect

with respect to such Vessel or Cover; (iv) a requisition of use of such Vessel or Cover by any governmental authority (other than the United States or any agency or instrumentality thereof) for a period in excess of 60 days; or (v) a requisition of use of such Vessel or Cover by any governmental authority for a period which extends beyond the end of the Charter Period with respect to such Vessel or Cover.

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

"Final Payment Notice" means with respect to a particular Variable Charter Hire Payment Date a written notice given to the Charterer setting forth the exact Variable Amount for such Variable Charter Hire Payment Date, how such Variable Amount was calculated and the difference, if any, between such exact Variable Amount and the estimated Variable Amount set forth in the Preliminary Payment Notice delivered with respect to such Variable Charter Hire Payment Date.

"Fixed Amount" means for any Charter Hire Payment Date 5.3876% of the aggregate of Shipowner's Cost for all Vessels subject to the Charter in the case of the first twenty-two installments of Basic Charter Hire and 6.5848% of such Shipowner's Cost in the case of the remaining installments, as such percentages may be amended from time to time in accordance with Section 23 of the Participation Agreement.

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

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

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

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

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

"Indenture Trustee" means the Person, if any, acting as indenture trustee for the purchasers of the Refinancing Obligations.

"Interest Rate" shall have the meaning set forth in the Secured Notes.

"Interim Charter Hire" means the amounts payable by the Charterer pursuant to Section 3(a)(1) of the Charter.

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

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

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

"Mortgage" means the First Preferred Fleet Mortgage dated the first Delivery Date from the Shipowner to the Lender, as the same may be amended, modified or supplemented (whether by a Mortgage Supplement or otherwise) in accordance with the applicable provisions thereof.

"Mortgage Supplement" means any supplement to the Mortgage substantially in the form attached thereto from the Shipowner to the Lender, as the same may be amended, modified or supplemented whether by a Mortgage Supplement or otherwise in accordance with the applicable provisions thereof.

"Mortgagee" means the Lender, as mortgagee under the Mortgage.

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

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

"Officer's Certificate" means, when used with respect

to any corporation, a certificate signed by the chairman or vice chairman of the board, the president, any vice president, any assistant vice president, the controller, any assistant controller, the secretary or clerk, any assistant secretary or assistant clerk, the treasurer, or any assistant treasurer of such corporation and, when used in relation to the Security Agreement, conforming to the provisions of Section 1.02 of Exhibit 1 to the Security Agreement.

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

"Original Term" means the period beginning on the date of the Charter and ending on December 31, 2003, as such period may be extended pursuant to Section 1(a), 1(b) or 16 of the Charter.

"Outstanding" when used with respect to the Secured Notes means all Secured Notes theretofore issued except (a) Secured Notes which shall have been paid in full, (b) Secured Notes in lieu of which other Secured Notes have been issued pursuant to the Security Agreement and (c) Secured Notes which shall have been cancelled by the Shipowner or delivered to the Shipowner for cancellation.

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

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

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

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

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

"Person" means any individual, corporation,

partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Plans and Specifications" means the plans and specifications for the construction of the Vessels as identified in the Construction Contract, as the same may be modified, amended or supplemented from time to time pursuant to the Construction Contract.

"Preliminary Payment Notice" means with respect to a particular Variable Charter Hire Payment Date a written notice given to the Charterer setting forth the Variable Amount as estimated on the date of such notice for such Variable Charter Hire Payment Date and how such estimated Variable Amount was calculated. If the Variable Amount can be exactly computed on the date of the Preliminary Payment Notice, such notice shall so state.

"Prepayment Date" means any date fixed for the prepayment of any Secured Note by or pursuant to the Security Agreement.

"Principal Documents" means the following agreements and documents:

Charter	Mortgage
Charter Supplements	Mortgage Supplements
Consent of Shipbuilder	Participation Agreement
Construction Contract	Secured Notes
Construction Contract Assignment	Security Agreement
Guaranty	Trust Agreement

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

"Proportionate Part" or "Proportionate Outstanding Obligations" means, when used with respect to any Vessel or Cover, the portion of the Secured Notes or Refinancing Obligations or other item in question which bears the same proportion to all of the Secured Notes or Refinancing Obligations or other items as (x) the Shipowner's Cost of such Vessel or Cover bears to (y) the aggregate Shipowner's Cost of all of the Vessels (including Covers) subject to the Charter immediately before the event requiring the making of such determination.

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

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

"Refinancing Obligations" means Title XI Obligations or other indebtedness, if any, issued by the Shipowner to refinance the Secured Notes..

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

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

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

"Responsible Officer" means, when used with respect to any corporation, the chairman or vice chairman of the board, the president, any vice president, any assistant vice president, the controller, any assistant controller, the secretary, any assistant secretary, the treasurer, any assistant treasurer, or any other officer of such corporation, customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Secretary" means the Secretary of Commerce or any official or body from time to time duly authorized to perform the duties and functions of the Secretary of Commerce under the Act (including the Assistant Secretary of Commerce for Maritime Affairs, the Acting Assistant Secretary of Commerce for Maritime Affairs, the Maritime Administrator, the Acting Maritime Administrator, and, to the extent so authorized, the

Deputy Assistant Secretary of Commerce for Maritime Affairs, the Deputy Maritime Administrator and other officials of the Maritime Administration).

"Secured Notes" means the Secured Notes due December 31, 2003 issued pursuant to the Security Agreement, as the same may be modified, amended or supplemented from time to time in accordance with the applicable provisions thereof.

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

"Security Agreement" means the Security Agreement dated as of April 1, 1981 between the Shipowner and the Lender, as the same may be modified, amended or supplemented from time to time in accordance with the applicable provisions thereof.

"Security Default" means any of the events specified in Section 6.01(a)(2) through (8) of Exhibit 1 to the Security Agreement.

"Settlement Date" means the Business Day designated by the Charterer by written notice occurring at least five days after the Charterer shall deliver the Settlement Date Certificate of Shipowner's Cost to the Shipowner, the Owner Participant and the Lender, provided that such date shall not occur later than June 30, 1981.

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

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

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

"Shipowner" means The Connecticut Bank and Trust Company, acting not in its individual capacity but solely as owner trustee under the Trust Agreement and its successors in

trust.

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

"Shipowner's Documents" means all Principal Documents other than the Trust Agreement, the Construction Contract, the Guaranty and the Consent of Shipbuilder.

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

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

"Stated Maturity" means, when used with respect to any Secured Note or Refinancing Obligation, the date determinable as set forth in such Secured Note or Refinancing Obligation as the final date on which the principal of such Secured Note or Refinancing Obligation is due and payable.

"Stipulated Loss Value" means, as of any Charter Hire Payment Date with respect to a Vessel or a Cover, an amount determined by multiplying Shipowner's Cost for such Vessel or Cover by the appropriate percentage indicated in Schedule Two to the Charter (as such percentage may be adjusted pursuant to the terms of Section 23 of the Participation Agreement).

"Supplemental Hire" means all amounts which the Charterer agrees to pay to any of the Shipowner, the Owner Participant or the Lender pursuant to the Charter or the Participation Agreement, other than Basic Charter Hire and Interim Charter Hire.

"Termination Value" means, as of any Charter Hire Payment Date with respect to a Vessel or a Cover, an amount determined by multiplying the Shipowner's Cost of such Vessel or Cover by the appropriate percentage indicated in Schedule Two to the Charter (as such percentage may be adjusted pursuant

to the terms of Section 23 of the Participation Agreement).

"Title XI" means Title XI of the Act.

"Title XI Documents" means those agreements, documents and instruments which the Charterer or the Shipowner enter into in connection with the issuance of the Title XI Obligations.

"Title XI Obligations" means the United States Government Guaranteed Ship Financing Obligations of the Shipowner, if any, issued with respect to the Vessels and guaranteed by the United States pursuant to Title XI.

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

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

"Trust Agreement" means the Trust Agreement, dated as of April 1, 1981, between the Bank and the Owner Participant, as the same may be modified, amended or supplemented from time to time in accordance with the applicable provisions thereof.

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

"United States" means the United States of America.

"Variable Amount" means, for any Variable Charter Hire Payment Date, (i) the amount of interest on the outstanding Secured Notes due and payable on such Variable Charter Hire Payment Date, as set forth in the Preliminary Payment Notice for such Variable Charter Hire Payment Date until the giving

of the Final Payment Notice, if any, and thereafter as set forth therein, less (ii) the amount of interest which would have accrued on the outstanding Secured Notes during the period beginning on the day after the prior Charter Hire Payment Date and ending on the Variable Charter Hire Payment Date for which the Variable Amount is being calculated and which would have been due and payable for such period if the outstanding Secured Notes had borne interest for such period at a rate per annum equal to 14%. The Variable Amount may be positive, negative or zero. For Charter Hire Payment Dates other than Variable Charter Hire Payment Dates the Variable Amount shall be zero.

"Variable Charter Hire Payment Date" means each Charter Hire Payment Date which follows a period during which there was outstanding one or more Secured Notes secured by the Mortgage which has an interest rate which may vary from time to time during such period.

"Vessel" means each of the box hopper barges together with each related Cover delivered by the Shipbuilder and accepted by the Shipowner pursuant to the Construction Contract and simultaneously delivered by the Shipowner and accepted by the Charterer pursuant to the Charter, being of approximately 1223.97 gross tons and 1223 net tons and constructed in 1981 at Pittsburgh, Pennsylvania, together with all of its engines, boilers, machinery, masts, spars, boats, anchors, cables, chains, rigging, tackle, apparel, furniture, capstans, outfit, tools, pumps, pumping and other equipment or gear, furnishings, appliances, fittings and spare and replacement parts and all other appurtenances to said barge and Cover pertaining or belonging, including the Charterer-Furnished Equipment, if any, whether now owned or hereafter acquired, whether on board or not on board, and also any and all additions, improvements and replacements hereafter made in or to said barge and Cover or any part thereof, or in or to her equipment and appurtenances aforesaid, excepting, however, any equipment or appurtenances owned by a third-party lessor which has furnished the same to the Charterer under a rental agreement and further excepting any equipment or appurtenances which remain or become the property of the Charterer pursuant to the Charter and the value of such equipment or appurtenances shall not be included in the Vessel for purposes of the Appraisal Procedure or the determinations of the fair market sales value of the Vessel; provided that after a Cover has ceased to be subject to the Charter by reason of Section 8(c), 14 or 17 thereof, Vessel shall not include such Cover.

"Vessel Costs" means, with respect to any Vessel, an amount equal to the sum of (i) the amount paid or payable

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