

Contract Modification
Contract No. MA-14141 MOD 001
Vessel: LINCOLN
Contractor: ALL STAR METALS, LLC.
101 BOX CAR ROAD
Brownsville, TX 78521

THIS MODIFICATION No. 1, dated as of May 2, 2011, to Contract No. MA-14141 dated March 16, 2011, by and between the UNITED STATES OF AMERICA, represented by the SECRETARY OF TRANSPORTATION, acting by and through the MARITIME ADMINISTRATOR who has designated the Director, Office of Ship Disposal, Maritime Administration, as the Contracting Officer, and All Star Metals, LLC.

Terms of the Modifications:

1. This modification is entered into pursuant to authority of: 46 U.S.C. § 57102 and 57103 whereby the Government wishes to sell and the Buyer wishes to purchase obsolete UNITED STATES GOVERNMENT merchant type vessels for the purpose of recycling.
2. This modification is entered into pursuant to the Government's requirement to substitute the obsolete vessel Lincoln with a similar type vessel. The Government and the Buyer agree to remove from this contract the obsolete vessel Lincoln and replace it with the obsolete vessel President.
 - a. WHEREAS: The vessel substitution shall be effective upon the execution of this contract modification by All Star Metals, LLC and the Maritime Administration Contracting Officer.
 - b. WHEREAS: Both vessels are currently located within the San Francisco Bay area with the vessel Lincoln currently afloat and berthed at BAE-Systems San Francisco Ship Repair in San Francisco and the President on dry-dock at Allied Defense Recycling in Vallejo, CA.
 - c. WHEREAS: Both vessels are sister ships of the same design class, principal characteristics and lightship tonnage. The Government and the Buyer agree the vessels shall be substituted on an equal basis without equitable adjustment for tonnage, design and principal characteristics, except as listed below
 - d. WHEREAS: The vessel substitution will be at the original sales price the Buyer paid for the Lincoln with exception for specific items that the Government and the Buyer agree are significant differences between the two vessels to warrant negotiated sales price adjustment.
 - e. WHEREAS: The substitution of the two vessels shall require the physical relocation of the vessel Lincoln from its current location at the BAE-Systems San Francisco Ship Repair facility to the Allied Defense Recycling facility in Vallejo, CA there to be placed into dry-dock after the undocking of the vessel President.
 - f. WHEREAS: The Government shall coordinate with Allied Defense Recycling and fund separately the relocation and docking of the vessel Lincoln from its current location at BAE-Systems Shipyard to the Allied Defense Recycling facility.

- g. WHEREAS: The Government shall coordinate with Allied Defense Recycling and All Star Metals, LLC and fund separately those items necessary to undock the vessel President at Allied Defense Recycling and prepare the vessel for oceanic tow. The Government shall deliver the vessel President to All Star Metal, LLC at the Allied Defense Recycling facility where the vessel shall commence its oceanic tow to the Buyer's recycling facility.
3. The Government agrees to accomplish the following:
- a. Coordinate the preparation of the vessel President for undocking at Allied Defense Recycling. Activities shall include but are not be limited to the following.
 - i. As requested by the United States Coast Guard hydro blast three separate athwart ship bands, each three feet wide, from the port side water line, to the vessel keel and then to the starboard side water line, one amidships and one each at the bow and stern areas for the express purpose of conducting the underwater hull inspection.
 - ii. Install blanks on all inlet, discharge and sea chest openings prior to undocking.
 - iii. Accomplish the required freeboard and or topside ex-foliating paint removal as determined by the MARAD COTR prior to undocking the vessel.
 - iv. Coordinate with the State of Texas any permission necessary to forgo the cleaning of the underwater hull prior to undocking. If the requested permission is not granted by the State of Texas then the Government will have the vessel's underwater hull cleaned prior to undocking.
 - v. Load and secure any agreed to items on the vessel and secure for ocean tow.
4. All Star Metals, LLC agrees to accomplish the following to prepare the President for ocean tow;
- a. Conduct the required Trip-in-Tow survey of the vessel.
 - b. Conduct an underwater hull inspection of the vessel while the vessel is in dry-dock at Allied Defense Recycling along with the United States Coast Guard and the MARAD COTR to determine the condition of the vessel hull.
 - c. Provide the Trip-in-Tow survey and requisite design of the ocean towing systems including Panama Canal transit requirements for the vessel to Allied Defense Recycling in a timely manner for accomplishment of the tow preparations including the installation of towing chain, fittings, rigging and main and emergency tows. Tow preparations shall be accomplished by Allied Defense Recycling however All Star Metal, LLC shall be responsible for ensuring acceptance of the tow preparations by the United States Coast Guard and the towing company.
 - d. Prepare and submit the required tow plan to the United States Coast Guard.
 - e. Obtain the required Loadline Exemption Certificate from the United States Coast Guard sufficient to allow for ocean tow.
 - f. Obtain the requisite towing assets, pilot, and assist tugs to remove the vessel from Allied Defense Recycling for oceanic tow.
 - g. Participate in all vessel teleconferences, meetings and discussions relevant to the preparation for moving the vessel Lincoln from BAE-Systems Shipyard to Allied Defense Recycling and the preparation of the vessel President for undocking and ocean tow.
5. This modification is entered into pursuant to negotiated settlement between the Government and the Buyer for price adjustments for the following differences in physical items between the two vessels. The amounts enumerated are the settled amounts between the Government

and the Buyer and are to be refunded to the Buyer from the original purchase price of \$675,276.96.

| Item | Description | Amount |
|--|--|-----------------------|
| Oily Water | Adjustment for an additional 2,574 light tons of oily water. Adjustment includes disposal, transport and labor costs | (\$134,000.00) |
| Oil | Adjustment for an additional 258 light tons of oil. Adjustment includes disposal transport and labor costs | (\$34,000.00) |
| Overhead Crane | Adjustment is for the recyclable value of the vessel's overhead crane which is on board the Lincoln but missing from the President. | (\$23,000.00) |
| Ferrous Metals & Anchors | Extra 20 tons of anchors on President in exchange for any missing ferrous metals except the overhead crane | \$0.00 |
| Non-ferrous Metals | One ton at \$6,720.00 per ton | (\$6,720.00) |
| Unforeseen Contingencies in OIL & OILY WATER and Other | Both parties have agreed to the values as presented as their best estimates of the items described. The Government and the Buyer agree to mitigate the risk of volume of free flowing liquids for disposal in the vessel, and have agreed to a fixed amount to cover those unforeseeable contingencies in OIL and OILY WATER, as listed above. | (\$30,000.00) |
| Total Adjusted Value Equals | | (\$227,720.00) |

6. This modification is entered into pursuant to negotiated settlement between the Government and the Buyer for price adjustments for the differences in items between the two vessels includes the following agreement related to the sampling and testing for polychlorinated biphenyl (pcb) in the paint coatings onboard the vessel President.
 - a. Due to time limitations the Buyer was unable to take preliminary pcb samples from the paint coatings on board the vessel President and obtain laboratory analysis similar to paint samples and laboratory analysis taken from the Lincoln as part of the Buyer's sales offer preparations.
 - b. The Buyer shall be afforded the opportunity to present to the Government pcb paint samples and laboratory analysis from the President's paint coatings that indicate a disparity from those samples the Buyer previously obtained from the paint coating's on the Lincoln.
 - c. The Buyer shall clearly indicate the disparities between the samples and the laboratory analysis between the two vessels and shall submit the sample analysis and laboratory results from both vessel's when requesting a price adjustment.
 - d. The paint coating samples and laboratory analysis for both vessels along with the narrative explaining the disparities and any price and/or schedule adjustment request must submitted to the COTR within 60 days after the arrival of the President at the Buyer's recycling facility to be accepted for consideration.

7. Costs due to delay in the departure of the vessel:
 - a. The parties agree that the actual costs the Buyer has incurred due to delay in the departure of the vessel will also be refunded to the Buyer. Delay costs will be calculated beginning April 15, 2011, the day the LINCOLN was to depart BAE, until the day the PRESIDENT departs ADR's facility. Recoverable costs include: Tug

Hire demurrage charges, Crew Wages and food allowance, Hotel, flight cancellation/rebooking fees, insurance charges related to the substitution of the vessels, car rental, surveyor fees, assist tugs to move the PRESIDENT from ADR to the SF Sea bouy. Actual delay costs other than those identified above may be requested and will be allowed if necessary and reasonable. A 10% service charge and cost of money on the above costs will also be recoverable. Buyer shall utilize its best efforts to mitigate all costs.

- b. Buyer shall submit a claim for the delay costs accompanied by documentation of the actual costs incurred, including but not limited to the tow contracts and invoices from the tug companies for the amounts charged for delay and crew and also receipts for the non-tug related expenses.
 - c. Seller shall expedite review of the claim for delay costs and processing of the modification implementing the refund. The refund will be processed by wire transfer as expeditiously as possible after the modification executed by both parties:
8. Except for the items listed below in paragraphs 8a and 8b., in consideration of the refunded purchase amount of **\$227,720.00**, the Contractor remises, releases, and forever discharges MARAD, its officers, agents, contractors, employees, and sureties from any and all civil claims whatsoever, relating to, arising out of, or connected with this Modification No. 1 to Contract MA-14141 exchanging the vessel the PRESIDENT for the vessel the LINCOLN, the vessel originally sold under the contract. The Contractor accepts the refunded amount of **\$227,720.00** as full and final settlement of all claims relating to, arising out of, or connected with the substitution of the PRESIDENT for the LINCOLN, including, but not limited to, all impact claims for costs due to delay, acceleration, disruption, and cumulative effects of the substitution. A second modification will be executed to settle the below excepted items:
- a. Claims related to, arising out of, or connected with PCBs as described in Paragraph 6;
 - b. Costs due to delay in departure as specified in paragraph 7;
9. The Performance Schedule shall be adjusted on a day for day basis from the original date of departure, April 15, 2011, until the actual day of departure.
10. The executed order modification constitutes a complete and final adjustment of the sales price, except as noted in paragraph 8 above.
11. The Government and the Buyer agree that all other terms and conditions of Contract MA-14141 remain unchanged.

IN WITNESS WHEREOF, the parties hereto have executed this Contract Modification as of the day and year executed below.

ATTEST:

All Star Metals, LLC.

By:

(Title)

(Corporate Seal)



PRESIDENT

Date:

5/2/11

ATTEST:

UNITED STATES OF AMERICA
MARITIME ADMINISTRATION

By:



Curt Michanczyk
Director, Office of Ship Disposal
Contracting Officer

Date:

5/2/11