

**CONTRACT
BETWEEN THE UNITED STATES OF AMERICA
AND**

FOR THE SALE OF MARITIME ADMINISTRATION

THIS CONTRACT ("Contract ") entered into as of _____, 200, by and between UNITED STATES OF AMERICA (herein called the "Government"), represented by the SECRETARY OF TRANSPORTATION, acting by and through the MARITIME ADMINISTRATOR (herein called the "Administrator") who has designated the Director, Office of Ship Disposal Programs, Maritime Administration, as the Contracting Officer (herein called the "Contracting Officer" or referred to as the "Maritime Administration" or "MARAD"), and _____, (herein called the "Buyer"),

W I T N E S S E T H:

WHEREAS:

1. Pursuant to 46 U.S.C. 57102 and 57103 the Government wishes to sell and the Buyer wishes to purchase, the Obsolete Vessel(s) described herein, and the Contracting Officer and the Buyer have entered into this Sales Contract, subject to the terms and conditions hereinafter set forth.

2. The Government and the Buyer acknowledge and agree that the Government does not warrant or guarantee, by expression or implication, the size, tonnage, or other descriptions of the Obsolete Vessel(s). The Buyer was cautioned and urged to inspect the Obsolete Vessel(s) and to rely solely on its own inspection with respect to the particulars of the Obsolete Vessel(s).

3. The Buyer will enter into a contract or contracts of towage providing for the towage of the Obsolete Vessel(s) from the current location at the _____, to the Buyer's dismantling facility located in _____, for the sole purpose to recycle/dismantle/remediate all hazardous materials, equipment and components on or attached to the Obsolete Vessel(s) including the superstructure and hull. Dismantlement is defined as the reduction of all materials, components and structures of the Obsolete Vessel(s) to their basic material and/or recyclable content.

NOW, THEREFORE, in consideration of the premises and the mutual promises hereinafter set forth, and of other good and valuable considerations, the receipt and sufficiency of which the parties hereby acknowledge the parties hereby agree as follows:

ARTICLE 1. CONVEYANCE OF TITLE

1. The Contracting Officer, by Bill(s) of Sale for the Obsolete Vessel(s), the form of which is attached hereto as Exhibit 2, conveys title to, sells and transfers the whole of the Obsolete Vessel(s) to the Buyer, "AS IS," as of the date and hour the Obsolete Vessel(s) arrives at and is secured at the place where it will be dismantled, with warranties of title and freedom from all liens and encumbrances arising out of its acts or inaction, other than statutory and contractual restrictions running in favor of the UNITED STATES OF AMERICA. The Buyer agrees to make the Maritime Administration an assured under its marine insurance policy in conformance with ARTICLE 5 of this Contract to cover the period of time from when the Obsolete Vessel(s) is removed from the site where the Obsolete Vessel(s) is located, as specified in Exhibit 1, to such time that title is transferred by Bill of Sale to _____ at the location where the Obsolete Vessel(s) will be dismantled, _____. The Buyer agrees to the aforementioned conveyance and acknowledges that from the date and hour of such transfer, it will hold title to the Obsolete Vessel(s).

ARTICLE 2. PAYMENT FOR THE OBSOLETE VESSEL(S)

1. As consideration for the conveyance, sale and transfer of the Obsolete Vessel(s), the Buyer has paid to the Government, prior to removal of the Obsolete Vessel(s) from the site where the Obsolete Vessel(s) are located, the sum of \$_____ representing consideration for the Obsolete Vessel(s), exclusive of towing the same to the place of dismantling, the receipt of which is hereby acknowledged by the Contracting Officer.

ARTICLE 3. CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE

1. The Contracting Officer shall designate a Contracting Officer's Technical Representative (COTR) to act on behalf of the Contracting Officer to manage and oversee all aspects of this contract. The Buyer shall submit all reports, status updates and contract issues to the COTR.

2. The Contracting Officer may hire a third party Environmental Health and Safety (ES&H) professional to act as the on-site monitor for project performance with regard to hazardous material remediation activities, production methodologies and compliance with the Buyer's accepted Technical Compliance Plan. The Buyer shall allow the ES&H monitor reasonable access to the facility and all records relating to the dismantlement and disposal of the Obsolete Vessel(s), on a daily basis, as determined by the Government.

ARTICLE 4. TOWING REQUIREMENTS

1. Whenever possible, towing contracts shall be awarded to towing companies whose towing vessels are either: a) inspected by the United States Coast Guard, b) classed by a Coast Guard recognized Classification Society, or c) have a safety management certification from an industry-recognized certification program*. Where international tows are concerned, towing contracts shall be awarded to towing companies that comply with the International Safety

Management (ISM) Code.

* Such as International Standards Organization (ISO) 9000 series certification, or the American Waterways Operators (AWO) Responsible Carrier Program.

2. The Buyer is responsible for ensuring all United States Coast Guard (USCG) towing and transfer requirements including, but not limited to, towing preparations, notifications, inspections, insurance, in water hull cleaning operations, emergency response and procedures are met for the Obsolete Vessel(s) upon departure from Beaumont Reserve Fleet. See Exhibits 4, BRF Safety Rules and required personal protective equipment. See Exhibit 5 for Tow Preparations Responsibility for Obsolete Ships. See Exhibit 7 for the USCG Interim Criteria for Cleaning Hulls of MARAD vessels prior to relocation dated June 27, 2006. Towing plans and submittals must be in compliance with all United States Federal requirements. The Buyer is responsible to ensure all tow surveys, insurance surveys, and any other inspections have commenced not later than 5 days after contract award so as to not delay the towing of the Obsolete Vessel(s) or impact the operations of the Reserve Fleet. The Buyer is responsible for all tow preparations required by USCG and Independent and/or Insurance Surveyors. The Buyer is required to meet with the Fleet Program Manager upon completion of all required surveys and inspections to discuss actions and plans resulting from surveys and inspections. See Exhibit 5. The Buyer shall provide a liquid loading plan that will cover the methodology to safely transfer any liquids on board the Obsolete Vessel(s) and or ballasting the Obsolete Vessel(s) to the required trim and stability resulting from an authorized Marine Surveyor's trip in tow survey. The liquid loading plan and the trip in tow survey shall be submitted to the COTR, with a copy to the Fleet Program Manager, prior to commencement of the transfer of liquids on the Obsolete Vessel(s) and or ballasting of the Obsolete Vessel(s) for trim and stability. The liquid loading plan shall address all aspects of liquid transfer on board the Obsolete Vessel(s) and or ballasting the Obsolete Vessel(s), in detail, including electrical power requirements, pumps, tank opening and closing plan, liquid transfer plan and emergency response actions. The liquid loading plan must be compliant with the trip in tow survey and shall include the appropriate safety requirements necessary to secure the Obsolete Vessel(s) at the end of each work shift. The transfer of all liquids on board the Obsolete Vessel(s), regardless of the source and the destination, shall be part of the liquid loading plan. Under no circumstances will liquids be discharged overboard from the Obsolete Vessel(s) without first consulting with the Fleet Program Manager and obtaining all required approvals.

3. The Buyer is responsible for arranging and bearing the expense for all of the required Obsolete Vessel(s) tow preparations including but not limited to the following activities related to preparing the Obsolete Vessel(s) for tow to the Buyer's dismantlement facility.

(A) The hiring of a qualified Marine Surveyor to survey the Obsolete Vessel(s) and provide requisite trip in tow preparations in accordance with applicable USCG requirements and accepted marine practice for dead ship tows. The Contractor shall submit a copy of the Marine Surveyors initial trip in tow recommendation report within 5 days after the issuance of the official notice to proceed. The following are known USCG towing requirements that may be in force for the towing of the Obsolete Vessel(s). These requirements are subject to change by the USCG without notice and may be project specific. MARAD does not guarantee that these are all

the requirements the USCG may require. The responsibility for determining the exact USCG towing requirements rests with the Buyer.

(1) USCG Towing Requirements

(a) Completion of the standard Dead-Ship Proposal Form including tank lay-out with hazardous material type, amount and location on board. A liquid loading report will be provided by MARAD.

(b) Completion of the standard Tug Escort Proposal Form.

(c) Comprehensive discussion of piloting and docking issues: specifically who will have operational control of the evolution during all phases of transit and where those persons will be stationed. (The USCG may require this plan to be in writing)

(d) Complete description of the proposed towing configurations through all phases of the transit.

(e) A spill contingency plan including 24 hour contact information for a qualified individual and a description of pre-positioned spill response equipment.

(f) Discussions of weather conditions and operational limitations.

(g) The number of individuals who will remain on the Obsolete Vessel(s) during the towing evolution.

(h) The names and official numbers of any foreign flagged vessels involved in the operation.

(i) A communication plan and/or schedule

(j) A timeline of events for the overall operation.

(k) Evaluation of the Obsolete Vessel(s) for issuance of a Load-line Exemption Certificate. This certificate is based on a current material condition survey of the Obsolete Vessel(s). The survey shall be delivered to the assigned Marine Inspector for review prior to the issuance of the certificate, if necessary. A possibility exists that the Marine Inspector may require a Marine Chemist Certificate declaring a space "safe for entry" if the inspector determines that access to a confined space is necessary during the examination.

(B) The hiring of the Buyer's Insurance Underwriting Company surveyor to accomplish the Insurance Company surveys related to insuring the Obsolete Vessel(s) for tow. The Buyer will coordinate all surveys and resulting tow preparation efforts so as to minimize the impact upon any Reserve Fleet operations and support required. Obsolete Vessel(s) tow preparations shall begin only after all required surveys have been accomplished and one final listing of tow preparations has been published and the required meeting with the Fleet Program Manager has taken place.

(C) The Buyer shall be responsible for having an Emergency Oil Spill response plan or obtain the services of a SMC (Spill Management Company) for all phases of the towing evolution. This plan shall be available, during all the Obsolete Vessel(s) towing operations, a Qualified Individual (QI) who shall be available 24 hours a day, 7 days a week to act on the Buyer's behalf to provide contingency planning and organized response in case of an oil spill during tow operations. The Buyer shall provide the COTR the name of the SMC and the QI not later than 10 days after contract award. The Buyer's responsibility will start the moment the Buyer's tugs accept and have operational control of the Obsolete Vessel(s) for tow.

4. The Buyer shall provide the COTR, a daily situation report for each tow that will identify the date, report time, location of the tow (Latitude and Longitude), current and forecasted weather and sea conditions, estimated time of arrival, a brief description of the tow situation and proposed action in the face of inclement weather.

5. The Obsolete Vessel(s) Afloat Monitoring Plan - Upon arrival at the Buyer's dismantlement facility the Obsolete Vessel(s) will be safely moored and continuously monitored by the Buyer while afloat and prior to being moored in the dismantling slip and during the dismantling process if the Obsolete Vessel(s) remains afloat. The safe mooring of the Obsolete Vessel(s) shall include provisions for heavy weather protection and containment equipment in the event of oil discharging from the Obsolete Vessel(s). Monitoring shall include local and remote audible and visual alarms in the event of flooding and on-site security watches to monitor for oil discharges, mooring security and Obsolete Vessel(s) trim and stability. The Buyer shall provide to the COTR an Obsolete Vessel(s) Afloat Monitoring Plan that addresses details of the above requirements including discharge, flooding and mooring response plans. The Plan must be comprehensive enough to provide summary information encompassing systematic mooring/monitoring operation for Obsolete Vessel(s) being dismantled. Each Obsolete Vessel(s) shall have an individual afloat monitoring plan that shall be incorporated into the master Obsolete Vessel(s) Afloat Monitoring plan. The Obsolete Vessel(s) Afloat Monitoring Plan shall be submitted to the COTR within 10 days after contract award but no later than 3 days prior to the departure of the Obsolete Vessel(s) from the Reserve Fleet.

6. The Buyer is responsible for arranging and bearing the expense for all of the required Obsolete Vessel(s) in water hull cleaning and reporting requirements including but not limited to the following activities required to be completed before the tow of the Obsolete Vessel(s) to the Buyer's dismantlement facility. The Buyer shall conduct a full in water hull cleaning as described in Section 2.2 and 2.3 of DEFINED ACTIONS, in the USCG INTERIM CRITERIA FOR CLEANING HULL OF MARAD VESSEL PRIOR TO RELOCATION (see Exhibit 7) and clean the entire underwater hull surface, (i.e. painted surfaces), including the flat bottom, appendages, struts, shafts, propellers, and rudders for the obsolete vessel prior to departure for tow to _____. It is recognized the hull cleaning process will not remove the hard calcified hull fouling. The hull cleaning process is intended to prevent the removal of hull coatings or scale from the vessels underwater hull and appendages.

7. The vessel will have to be relocated from its current berth to a specified area within the Beaumont Reserve Fleet to accomplish the in water hull cleaning process. The Buyer shall contact the Fleet Program Manager of the _____ to coordinate the movement of the Obsolete Vessel(s). The Buyer shall coordinate with the hull cleaning company to verify the proposed cleaning method and location for the in water cleaning of the Obsolete Vessel(s) is suitable for completion of the hull cleaning in accordance with the USCG Interim Hull Cleaning Criteria while maintaining appropriate diver safety, water depth, water current and hull accessibility. The Buyer is responsible for procuring the following services to assist in the movements of the vessel.

(A) Tug and pilot to move the Obsolete Vessel(s) from its current berth to the deep water area for cleaning and back again, (if necessary) after the hull cleaning is complete, to a secure location designated by the Fleet Program Manager.

(B) Ten line handlers to assist in the both movements of the vessel. The Procedures and Equipment as outlined in the Section 3 of the USCG INTERIM CRITERIA shall be utilized when performing the in water hull cleaning operations. The Buyer shall immediately notify the MARAD COTR if they encounter any constraints or delays such as diver safety issues, water clarity, water currents or weather conditions in performing the in water hull cleaning to the vessels.

8. The Buyer shall deliver to the MARAD COTR the following documentation.

(A) Three copies of before and after in water hull cleaning color still or video photography of the locations described in Section 3.6 of the USCG INTERIM CRITERIA. Submittals shall be in digital format on CD-ROM or DVD as appropriate.

(B) An Inspection and Cleaning report, signed by the lead diver, that documents the pre-cleaning and post cleaning inspections as described in Section 3.4 and 3.5 of the USCG INTERIM CRITERIA. Required prior to vessel towing.

(C) A report which provides concise technical description of cleaning operations performed and describes in detail constraints to hull accessibility encountered when performing cleaning operations. Required prior to vessel towing.

(D) Daily Dive Team logs as described in Section 3.9 of the USCG INTERIM CRITERIA signed by the lead diver and a representative of MARAD. Required prior to vessel towing.

All signed reports shall be digitally scanned onto a CD-ROM and three copies of the CD and the original report shall be submitted to the MARAD COTR. Unless otherwise directed MARAD will make the required report submittals to the USCG.

ARTICLE 5. INSURANCE

1. The Buyer shall at its expense, provide and maintain the following types of insurance and minimum coverage throughout the dismantlement of the Obsolete Vessel(s). Insurance certificates for Workmen's Compensation, Employers Liability, Maritime Liability, Comprehensive General Liability, Pollution and Lead and Asbestos Abatement Liability shall be submitted to the COTR and approved by the Division of Marine Insurance prior to the commencement of tow preparations. Insurance certificates for towing of the vessel shall be submitted to the COTR and approved by the Division of Marine Insurance not later than five (5) days prior to the departure of the Obsolete Vessel(s) from the Reserve Fleet. All insurance certificates submitted to MARAD shall include the name of the Obsolete Vessel(s) being insured. Any delay or additional costs of the tow resulting from non-compliance with the

required insurance requirements shall be the responsibility of the Buyer.

(A) Required Insurance during the performance of tow preparations, towing operations and during dismantlement of the Obsolete Vessel at the Buyer's facility.

(1) Workmen's Compensation, including Longshoremen & Harbor Worker's Act coverage - Covering all agents, servants, borrowed servants, statutory employees of Buyer for all compensation and other benefits required by applicable state and federal law or by governmental authority on account of injury, death, sickness or disease - Statutory - no minimum.

(2) Employers Liability - to cover both injury and death resulting from accident, sickness or disease

- \$5 million bodily injury by accident, each accident
- \$5 million bodily injury by disease each accident
- \$5 million bodily injury by disease in the aggregate.

(3) Maritime Employers Liability (Jones Act) to cover both injury and death resulting from accident, sickness or disease

- \$5 million for each person per occurrence
- \$5 million in the aggregate.

(4) Comprehensive General Liability to include coverage for (but not limited to) products and completed operations liability, property damage liability and contractual liability

- \$5 million combined single per occurrence limit for bodily injury and property damage
- \$5 million in the aggregate.

(5) Pollution - sudden and accidental liability. This coverage shall be provided by the Buyer (3) days prior to vessel departure from the fleet.

- \$5 Million per occurrence.

(6) Lead Abatement Liability Policy with a minimum limit of

- \$2 Million per occurrence. Verification of coverage is for the company that will conduct the abatement.

(7) Asbestos Abatement Liability Policy with a minimum limit of

- \$2 Million per occurrence. Verification of coverage is for the company that will conduct the abatement.

(B) The coverage below shall be in effect while the Obsolete Vessel(s) are being towed:

(1) Tower's Liability - When the Obsolete Vessel(s) is being moved it must have full form tower's liability with the United States of America being named and waived.

Minimum Coverage Requirements: \$5 million limit.

(2) Hull and Machinery,

Minimum Coverage Requirements:

The Buyer shall ensure that any tower of the Obsolete Vessel(s) shall maintain broad form collision tower's liability with a limit of \$5 million. The tower shall also insure each tug performing under this contract with Protection and Indemnity Insurance with a minimum limit of \$5 million and Hull & Machinery Insurance covering the value of each tug.

(3) Marine Protection and Indemnity (P&I), including, but not limited to, pollution liability, full collision liability, and removal of wreck. This coverage shall include insurance for damage to third parties however caused arising out of movement of the Obsolete Vessel(s).

Minimum Coverage Requirements: \$10 million per occurrence

(4) All Policies related to this contract shall list the name of the vessel to be disposed of included on the insurance certifications submitted to MARAD.

(C) MARAD Approval

All such insurance listed in paragraphs (A) and (B) above shall be subject to the approval of the Division of Marine Insurance, Maritime Administration, and will contain thirty (30) calendar days advance notice of cancellation (without disclaimer) or of any non-renewal which is the option of the insurer, said notice to be provided to the U.S. Department of Transportation, Maritime Administration, Office of Marine Insurance, MAR-780, 1200 New Jersey Avenue, W23-453, Washington, DC 20590.

4. Form of Confirmation

(A) The pollution insurance may be a separate policy or part of the Comprehensive General Liability policy, but the coverage must be specifically shown on the required confirmation of insurance. Excess liability and umbrella liability policies may be used in the excess of primary policies to meet the minimum limit requirements. The United States of America shall be an additional assured in the Comprehensive General Liability Policy and Pollution Policy. All policies shall contain a clause statement that there is no recourse against the United States of America for payment of premium.

(B) The Buyer shall have its insurance broker provide a detailed certificate of insurance, cover note or policy confirming the above-required coverage. The confirmation shall name the Buyer and United States of America as assureds and confirm the types of coverage, policy forms, policy periods, deductibles (if any) and underwriters with their percentage of participation. The N.Y. Suable Clause or Service of Suit USA Clause must be confirmed for any foreign underwriter placements. The policy amounts, terms and conditions, deductibles and underwriters shall at all times be satisfactory to the Maritime Administration. The Buyer shall insert the substance of this clause in subcontracts under this contract that require work on a Government installation.

(C) The above policies shall name the United States of America as an assured and shall provide that all losses shall be payable to the Secretary of Transportation acting by and through the Maritime Administrator. The policies shall also provide no recourse against the United States of America for payment of premium and a 10 day prior written notice of cancellation or material change in the policy to the Department of Transportation, Maritime Administration, Director, Office of Marine Insurance, MAR-780, 1200 New Jersey Ave., W23-453, Washington, DC 20590. The amounts, limits, terms and conditions, deductibles and underwriters in all the above policies shall be satisfactory to the Maritime Administration.

ARTICLE 6. DELIVERY OF THE OBSOLETE VESSEL(S)

1. The Government agrees to deliver the Obsolete Vessel(s) to the Buyer or its agent, "AS IS, WHERE IS," afloat and free of moorings at the Beaumont Reserve Fleet and shall

convey custody of the Obsolete Vessel(s) for towing. Custody of the Obsolete Vessel(s) for towing is defined as delivery of the Obsolete Vessel(s) to the Buyer's towing company pilot who shall have responsibility for operational control of the Obsolete Vessel(s) during transit. The Buyer agrees to accept delivery of the Obsolete Vessel(s), "AS IS, WHERE IS" at such location in the condition as of the date and hour of this Contract. Thereafter, the Buyer shall not be entitled to make or assert any claim against the Government or the Administrator, on account of any agreements, representations, or warranties, expressed or implied, with respect to the condition of such Obsolete Vessel(s). The delivery of the Obsolete Vessel(s) by the Government and the acceptance thereof by the Buyer shall constitute full performance by the Government of all obligations under this ARTICLE 6 with respect to such obsolete vessel(s).

2. The Government shall not be responsible for furnishing any stores, supplies, equipment or spare parts over and above those on board the Obsolete Vessel(s) at the time of delivery; provided, however, that all rectifiers, rheostats, junction boxes, switches, fenders, mooring gear, and electric cable used in the National Defense Reserve Fleet's cathodic protection system, and demountable crosswalks, if any on board the Obsolete Vessel(s), shall remain the property of the Government.

3. The purchase price of the Obsolete Vessel(s) shall be based upon the condition of the Obsolete Vessel(s) "AS IS, WHERE IS" on the date the Buyer's bid is submitted. Any material changes in the Obsolete Vessel(s) resulting from normal deterioration after the Buyer's bid was submitted and prior to the transfer of title shall be at the risk of the Buyer. The Government reserves the right to perform any work on the Obsolete Vessel(s) or affect any material change to the Obsolete Vessel(s) or its contents deemed necessary by the Contracting Officer to protect the environment or to maintain the Obsolete Vessel(s) in a safe and seaworthy condition at no cost to the Buyer. The Buyer shall not be entitled to assert any claim against the Government or the Administrator with respect to such modifications. Risk of loss of the Obsolete Vessel(s) shall be with the Buyer from the moment title to said Obsolete Vessel(s) vests in the Buyer as provided in the Bill(s) of Sale referred to in ARTICLE 1 of this Contract. The Buyer agrees to hold the Government and the Maritime Administration, its officers, employees, agents, attorneys, heirs, successors and assigns free and harmless from and against any and all claims and to indemnify, protect, and defend the Government and MARAD against any claims in excess of the insurance coverage provided for under ARTICLE 5 of this Contract

4. The Government will, without cost or expense to the Buyer, but at the risk of the Buyer, render the Obsolete Vessel(s) free of moorings at its location, and make such Obsolete Vessel(s) available at such location for delivery to the Buyer pursuant to this Contract. The Obsolete Vessel(s) will be available for delivery to the Buyer on the date requested by the Buyer in writing, which written request shall be received by the Contracting Officer not less than five (5) days in advance of each requested date; provided, however, that the Government shall not be liable for delay in making any Obsolete Vessel(s) available for delivery due to conditions beyond its control or conditions which by the exercise of reasonable diligence it was unable to prevent. The Government shall not be obligated to deliver any Obsolete Vessel(s) on Saturdays, Sundays, or legal Holidays.

5. The Obsolete Vessel(s) will be delivered to the Buyer "AS-IS, WHERE -IS" and the Buyer is obligated to accept such delivery and remove the vessel from the fleet within thirty (30) days from the issuance of Notice to Proceed. Provided further, however, that in the event the Buyer is delayed in accepting delivery beyond the specified time and the Contracting Officer is satisfied that such delay has been caused by conditions which, by the exercise of reasonable diligence, the Buyer was unable to prevent, then the Contracting Officer may grant the Buyer a written extension of time for accepting delivery for such period as in the judgment of the Contracting Officer shall be just, reasonable, and proper. The decision of the Contracting Officer as to the existence of the cause or causes of such delay, and also as to the extension of time, which shall be granted, shall be final and conclusive upon the Buyer. Application for extension of time shall be filed in writing with the Contracting Officer not less than five (5) days from the time delivery is otherwise required to be accepted, unless the Contracting Officer shall extend the time in writing for the filing of such application. NOTE! All days indicated are calendar days that include weekends and holidays.

6. The Buyer hereby agrees that if the Buyer fails or refuses to accept delivery within the time specified in paragraph (5) hereof, or any extension thereof, the Buyer will pay as liquidated damages, and not as a penalty, the sum of \$500 per day or fraction thereof [not to exceed the total purchase price of the Obsolete Vessel(s) or the posted performance bond for the Obsolete Vessel(s) whichever is greater], of delay, and the Buyer shall be liable for the amount thereof, provided, however, that in the event of such default or failure of the Buyer in accepting delivery, the Contracting Officer shall also have the right, upon giving ten (10) days written notice to the Buyer (a) to store the Obsolete Vessel(s) for the account and at the risk and expense of the Buyer, or (b) to resell such Obsolete Vessel(s) for the account of the Buyer upon such terms and conditions as the Contracting Officer may deem proper, charging against the Buyer in either of such cases any excess cost occasioned the Government thereby, together with any liquidated damages accrued on account of such default or failure. The exercise by the Contracting Officer of one or more of the rights herein specified will not preclude the Contracting Officer from exercising any other rights the Contracting Officer may have against the Buyer.

7. The Buyer shall be liable for any physical damage to the Government's property, and expenses incidental thereto, caused by and occurring during any part of the removal operations by the Buyer. The Buyer shall repair the damage, or have the damage repaired to the condition of the vessel prior to the caused damage. Repairs shall be in accordance with accepted Marine practice, USCG acceptance and to the satisfaction of the Contracting Officer; or, the Buyer shall pay to the Contracting Officer an amount of money sufficient to cover the entire cost of the damage and all expenses incident thereto, as determined by the Contracting Officer. The Contracting Officer shall have the sole and exclusive right to determine whether the Buyer will be allowed to repair the damage or pay the Contracting Officer for such repairs as aforesaid.

8. Demilitarization of Ordnance Equipment

(A) The Buyer shall, without cost or expense to the Government, demilitarize Ordnance Equipment (Military Equipment) aboard the Obsolete Vessel(s) described in Exhibit 6 (List of

Ordnance Equipment) hereof, and any other property classified as Ordnance Equipment (Military Equipment) not specifically designated but which requires demilitarization, not later than the date of completion of recycling pursuant to the Buyers accepted performance schedule or within such additional time as may be allowed by the Contracting Officer for good cause shown. The Buyer agrees that such demilitarization will be accomplished within the United States of America. Prior to demilitarization, the Buyer shall notify the Contracting Officer in writing of the location at which the demilitarization operation will be performed.

(B) With respect to Ordnance Equipment (Military Equipment), the key points to be demilitarized are: all tubes and gun barrels, launching rails, receivers, breech blocks, breech rigs, trunnion blocks, firing mechanisms, equilibrators and recoil mechanisms, as applicable.

(C) The Buyer shall accomplish demilitarization of Ordnance Equipment (Military Equipment) in the following manner:

(1) Artillery tubes and gun barrels will be cut in two at a point approximately one-third tube length from the breech face of the tube.

(2) Mortar tubes and rocket launchers, including launching rails, will be cut, crushed or broken to render them non-reclaimable.

(3) Receivers, trunnion block bodies or frames, breech blocks and firing mechanisms, as applicable, will be cut, battered or crushed to render them non-reclaimable.

(4) Breech rings will be cut into two or more pieces.

WARNING: DEMILITARIZATION OF EQUILIBRATORS AND RECOIL MECHANISMS MUST BE ACCOMPLISHED BY TECHNICALLY QUALIFIED PERSONNEL ONLY.

(D) Upon completion of the required demilitarization, if any, the resultant material shall be retained by the Buyer as Ordnance scrap. The Buyer agrees to furnish the Contracting Officer a certificate, in form satisfactory to the Contracting Officer, indicating that the Ordnance Equipment covered by this ARTICLE and Exhibit 6 has in fact been demilitarized by the Buyer in accordance with the terms hereof. The Government reserves the right, however, to perform additional mutilation of the demilitarized items, as deemed necessary, by its own personnel, or otherwise, at no cost to the Buyer.

(E) In the event the Buyer shall fail, neglect or refuse to demilitarize the Ordnance Equipment listed in Exhibit 6, as applicable to the Obsolete Vessel(s) purchased, in the manner and to the extent herein required, the Government, upon a ten (10) day written notice of default to the Buyer (calculated from date of mailing), shall have the right to enter the premises of the Buyer and, either with its own personnel or by contract personnel, complete demilitarization of the aforesaid Ordnance Equipment. In the event the Government exercises this option, the Buyer shall be liable to the Government for all direct and indirect costs incurred in the completion of the demilitarization and, in no event, will any part of the purchase price of any Obsolete Vessel(s) be refunded to the Buyer by reason of the exercise of this option.

ARTICLE 7. TECHNICAL COMPLIANCE PLAN

1. The Buyer shall as part of this Contract implement the submitted and accepted Technical Compliance Plan (TCP). The Buyer shall at all times comply with the TCP in the performance of hazardous material remediation and Obsolete Vessel(s) dismantling operations. The TCP shall serve as the baseline technical guidance document for the dismantlement and remediation of the Obsolete Vessel(s). The Buyer shall not modify, alter, change, deviate from or subvert the TCP without first providing a written modification or update to the Contracting Officer for review and approval. Failure of the Buyer to follow the processes and procedures of the accepted TCP does not absolve the Buyer from the performance of any or all contract provisions in accordance with Federal, State and local laws. Deviation from the Government approved TCP and failure to adequately modify, change or update the TCP to accommodate the dismantlement of the Obsolete Vessel(s) within the approved performance schedule will be documented and a written deficiency notification will be presented to the Buyer requiring immediate cure action of the deficiency.

2. Failure to follow and or adhere to the requirements of the TCP and any resulting deficiency notifications will be an evaluated past performance factor that will be taken into consideration during past performance assessments in future sales or dismantlement service contract evaluations.

ARTICLE 8. PERFORMANCE SCHEDULE

1. The Buyer shall prepare a master performance schedule, which incorporates all summary project information, requirements and reporting related to the dismantlement of the Obsolete Vessel(s). The master performance schedule shall address all tasks necessary for the successful completion of the overall project including but not limited to:

- (A) All work identified under the Technical Compliance Plan
- (B) Subcontracted work and activities.
- (C) Performance Schedule Milestones.
- (D) Deliverables.
- (E) Insurance and Bonding
- (F) Permits Licenses and Certifications.
- (G) Surveys and Inspections
- (H) Reporting Requirements

2. The Buyer shall prepare for each Obsolete Vessel(s) its own performance schedule, which shall be integrated into the master performance schedule. Each Obsolete Vessel(s) performance schedule will address all tasks required for ship dismantling including but not limited to:

- (A) Performance Schedule Milestones
- (B) A separate towing schedule and related tow preparation activities.

- (C) Deliverables
- (D) All subcontracted work and activities.
- (E) Cost elements from the Obsolete Vessel(s) worksheets
- (F) Preparation and towing of the Obsolete Vessel(s)
- (G) Acquiring of necessary specific permits, licensees, certificates
- (H) Acquiring of appropriate bonding and insurance
- (I) Arrival survey and tank sounding verification.
- (J) Identification, sampling and safe removal and disposal of hazardous materials/wastes
- (K) Ship dismantling.
- (L) Stripping of Government property.
- (M) Sale of reusable/recyclable materials and equipment.
- (N) Submission of required reports.

Schedules shall be consistent with all Contract requirements. Seasonal weather patterns and conditions shall be considered and included in the planning and scheduling of all work to ensure completion of the total work package within the Contract performance period. Seasonal weather patterns and conditions shall be determined by assessment of average historical climatic conditions based upon the preceding ten (10) year records published by the National Oceanic and Atmospheric Administration (NOAA) for the locality nearest to the project site, unless agreed otherwise.

3. The Buyer shall prepare and submit an initial performance schedule within seven (7) days after Contract award. The updated performance schedule shall incorporate the latest revisions to all tasks and shall take into account all other work in the Buyer's facility or scheduled to arrive at the facility that directly impacts the Obsolete Vessel(s) performance schedule. The Buyer shall include a narrative report addressing all constraints to the Obsolete Vessel(s) performance schedule incurred as a direct result of all other work in the Buyer's facility. Once accepted by the COTR the performance schedule shall be incorporated as the baseline project schedule and the Buyer shall manage the project to the submitted schedule. The baseline schedule shall be used for the development of the required reports, progressing methodology and determining progress payments if necessary. The baseline schedule shall not be altered or changed during the performance period.

4. The schedule shall include planned start and completion dates and timeline for each phase of the dismantlement and hazardous material remediation process. Identification of all project and individual Obsolete Vessel(s) work items considered to be on the critical path to completion will also be identified. All Obsolete Vessel(s) performance schedules, once integrated into the master performance schedule shall be linked at the activity level where necessary to the degree that any schedule impact to one Obsolete Vessel performance schedule can be readily evaluated for the downstream effect on any and all other Obsolete Vessel(s) performance schedules and the entire critical path of the project.

5. The performance schedule shall be updated to coincide with the bi-weekly reporting

requirements and shall at all times be maintained in an accurate and updated condition to support the physical progress of the Obsolete Vessel(s) dismantlement and hazardous material remediation.

6. The Performance Schedule shall be comprised of:

(1) A time-sequenced Critical Path Method (CPM) generated Gantt chart that contains the following:

(1) Scheduled key project events, milestones, all worksheet cost elements and items as listed above.

(2) Critical Path and Controlling Work Items for the overall project and each Obsolete Vessel(s) shall be clearly indicated with interdependent relationships to other critical path tasks clearly identified.

(3) Scheduled start and completion date of the production work for each activity.

(4) The original schedule baseline shall be retained and progress shall be shown on the Schedule as completed activities and shall be comparable to the baseline schedule.

(5) Activity duration shall be in working days unless reviewed and accepted by the COTR. Identify all activities not on a 5-day workweek calendar, and all planned holidays and other periods of shutdown. Identify overtime and multiple shift work.

(6) Linked items and activities shall be used to show the sequence and interdependence of the items and activities and the effects thereof, including Work Items that interrelate with Controlling Work Items that are on the Critical Path

(7) Activities shall include actual start and completion dates, the remaining duration, the percentage of physical work complete. This percentage will be used to calculate the "earned value" progress for each activity. For the measure of percentage complete, standardized percentages may be used for each step of routine evolutions, however, separate activities for each specified step shall appear as a schedule activity. The Buyer shall clearly identify the unit of measure, tons, and work zones used to develop the earned value. The Buyer shall not use workdays as the unit of measure.

(8) The following data shall also be included in tabular format with the Gantt chart for each activity of Critical Path activities:

- Original duration in calendar days
- Remaining duration in calendar days
- Percent (%) complete
- Total float based on a five-day workweek
- Original start date
- Original finish date
- Revised start date
- Revised finish date
- Actual start date
- Actual finish date

(9) All Schedules prepared by the Buyer can not contain logic that has been overridden (and thus not identified) by time, sequence, or resource constraints. If constraints exist, the Buyer shall identify them by type of constraint.

(B) Schedule progressing: - The contractor shall prepare an activity weighted average

report that apportions a contractor determined dollar amount to each activity in the performance schedule. A performance schedule activity weighted average report shall be prepared by the contractor and submitted to the COTR in conjunction with the Performance Schedule (7) days after contract award. The apportioned dollar amount for each activity shall be divided into the total contract amount to determine the weighted dollar amount for each activity and the weighted average percentage for each activity in the performance schedule. The performance schedule shall be progressed by measuring the physical accomplishment of each activity as identified in the performance schedule through on-site ES&H monitoring, dismantlement inspections, bi-weekly reports and meetings all of which shall determine the actual percentage complete for each activity.

(C) Earned Value: - Physical progress completed for each activity shall be reported by percentage at each bi-weekly meeting and shall be the basis for calculating the earned value for actual work completed. The earned value for each activity shall be calculated by multiplying the percent complete by the weighted dollar amount for that activity, less any previous earned amounts.

(D) Performance Schedule Impact Analysis shall be provided, in a narrative format, for all changes that affect the schedule.

(1) The Buyer shall provide ongoing Schedule analysis by comparing actual progress to planned progress as identified by the original baseline production schedule and shall report in the Summary Status Report the percentage ahead or slippage of the to date progress.

(2) The Schedule Impact Analysis shall demonstrate how the Buyer proposes to incorporate the changes into the Schedule and shall explain the affect if any, on milestone accomplishment, Schedule Critical Path, Schedule logic, resources, and costs and completion date.

(3) Any changes and events which the Buyer does not indicate in the Schedule and Schedule Impact Analysis is assumed to have no affect on the Production Schedule.

(4) Failure by the Buyer to include any element of work required for performance of the Contract shall not excuse the Buyer from completing all work within the Contract performance period and/or in accordance with any Contract-required Milestone Date(s).

(E) Recovery Plan. If slippage has occurred from the Buyer's original performance Schedule, or any previously revised Performance Schedule, the Buyer shall provide an analysis, in narrative format, of the slippage that identifies the cause of the slippage and propose a corrective plan of action that will be taken to complete the remaining work within the Contract performance period.

(F) Late Completion Notification. If at any time, the updated Critical Path of the Performance Schedule indicates a late delivery or late completion date, the Buyer shall notify the COTR in writing the next working day, and/or prior to the beginning of any period when no work will occur, such as a holiday period. This notification shall include identification of the problem and shall propose corrective actions for schedule recovery.

(G) The Performance Schedule and required reports shall be delivered to the COTR for

review and acceptance within (7) days after contract award. Status reports shall be prepared bi-weekly and submitted one day prior to the next scheduled progress meeting, to reflect the addition, deletion, or modification of Work Items, and changes made by the Buyer.

(1) Upon acceptance of the Schedule by the COTR, the Buyer shall proceed in accordance with the reviewed and accepted plan and shall not modify the Schedule without acceptance by the COTR. Modifications to the Schedule do not constitute a modification to the Contract.

(2) Any changes in the Schedule desired by the Buyer in the job approach as reflected by the network logic, activity duration, and resource loading shall be reviewed and accepted by the COTR prior to their inclusion into the Performance Schedule.

(H) The initial Performance Schedule produced for each Obsolete Vessel(s) awarded to the Buyer shall be saved by the Buyer to serve as a baseline for the purpose of progress tracking and variance analysis.

(I) The Buyer shall manage and schedule all subcontractor's production work/progress, material procurement, and interface control to support the overall Performance Schedule. Provide and maintain a subcontractor listing on file beginning within three (3) days after award of Contract. A revised list is to be updated whenever changes occur to the list. The subcontractor list shall include:

- (1) The subcontractor's business address, telephone number and point of contact.
- (2) All Work Item(s) and scheduled activity(s) numbers and a brief description of the specific work to be accomplished.

(J) All scheduling data files shall be compatible with and readable by MS Project 2003.

ARTICLE 9. PERIOD OF PERFORMANCE

1. The Contract period of performance for the dismantlement of the _____ shall be 303 calendar days from the contract award date, established via the Buyer's submitted and MARAD accepted performance schedule dated _____. At no time unless authorized by the Contracting Officer shall the period of performance exceed the accepted Performance Schedule. Commencement of the performance period shall begin at contract award, which is the date MARAD executes the sales agreement.

ARTICLE 10. RECORDS/REPORTING REQUIREMENTS.

1. The Buyer agrees to maintain all books, records detailing contract expenses and revenue, and other documents used to perform the Contract and make such documents available to the Government for review and audit purposes. The Buyer must further maintain such records for a period of two years after Contract completion or for such time as the Buyer, for its own purposes, retains such books, records, and other documents whichever is longer.

2. All required reports are to be electronically prepared and formatted for acceptance by MS Office 2003 including, Word, Excel, Access, and PowerPoint. All project schedules shall be

prepared and formatted for acceptance in MS Project 2003. All reports are to be copied on to a CD-ROM and three copies shall be delivered to the COTR and one copy to the MARAD ES&H representatives during the appropriate submittal period. The first summary status report shall be submitted to the Contracting Officer within 15 calendar days after the contract start date. This report listing is representative of the type of reports necessary to actively manage production progress. It is not a definitive listing of all Contract required reports. It is the Contractor's responsibility to submit any and all reports required by the contract.

3. Baseline/Pre-Arrival/Arrival:

The Buyer shall deliver the following reports to the COTR within the time frame indicated:

(A) Not later than four (4) days after the Obsolete Vessel(s) arrival at the Buyer's dismantling facility:

(1) Copies of all notifications made, as required, to Federal, State and local regulatory agencies.

(2) A report of the location and inventory of all hazardous materials/wastes on-site at the Buyer's facility at the time of the Obsolete Vessel(s) arrival (to prevent co-mingling with other vessel wastes).

(3) An inspection report of the condition of the facility at the beginning of the project including copies of the most recent Buyer furnished ground and water sampling results.

(B) Not later than ten (10) days after the Obsolete Vessel(s) arrival at the Buyer's dismantling facility at the beginning of the project:

(1) A verification report of the contents of all tanks on the Obsolete Vessel(s), conducted upon the Obsolete Vessel(s) arrival at the Buyer's facility, compared to the Government furnished tank soundings provided prior to the Obsolete Vessel(s) departure. Verification of the on arrival survey of all tank contents and approximate quantities contained and compared to the Government furnished baseline estimates with an accompanying tank diagram shall constitute verification.

(C) The contractor shall submit not later than 20 days after the vessel's arrival at the contractor's facility and prior to the start of work a verification of hazardous materials/wastes inclusive of sampling and analytical results so that areas containing or contaminated with hazardous or regulated substances are identified to enable safe work practices and applicable environmental regulations to be identified and implemented. Areas where presumption of hazardous/regulated materials is made shall be identified in the report submitted and the report shall be accepted by the COTR prior to the beginning of work in those areas.

4. Bi-Weekly Status Reports: The Buyer shall prepare technical status report to be submitted bi-weekly on a day mutually agreeable to all parties that summarizes the previous two weeks performance and forecasts the next two weeks performance period. The report shall be submitted to the COTR at least 24 hours prior to the scheduled bi-weekly meeting. The purpose of this report is to apprise MARAD of the project status and to identify any departures from the approved management and TCP. The report shall consist of two parts.

(A) Part 1 shall consist of a concise, executive level progress summary of all technical

activities performed under the Contract during the reporting period. Actual physical progress reporting shall be an approximate percentage of actual work completed derived from the monitoring of the work schedule. Part I shall discuss the following topics:

(1) A table, listing the project milestones, shall be presented with columns noting the original contract/baseline, revised and actual dates indicated for each milestone.

(2) Any changes of key personnel concerned with the project.

(3) Project Progress since the previous progress report defined as work accomplished vs. planned work. Approximate overall percentage of project completion with accompanying breakdowns of the percentage of completion for hazardous material removal and disposal and for the structural dismantling of the Obsolete Vessel(s).

(4) Difficulties encountered during the reporting period and corrective actions taken.

(5) Notification of any regulatory agency inspection conducted, or any Notices of Violation, citations, or cautionary notices received from regulators during the reporting period relating to the performance of this Contract, including notification of any other documentation relating to Federal, state or local administrative or legal actions arising under or relating to the Contract.

(6) Progress on any deficiencies identified by regulatory inspection.

(7) Status of outstanding permits/licenses required for performance of this Contract, and status of any existing permits/licenses due to expire within ninety (90) days of the Progress Report.

(8) Advance notice of commencement of project activities that will require notification to any regulatory agency by the Buyer or any of its subcontractors.

(9) Buyer's outstanding responses to any discrepancies noted or questions asked in writing by the Government.

(10) Assessment of risks relating to timely completion of this Contract.

(B) Part 2 shall consist of specific areas of interest relating to the progress and documentation of the project. Quantities for materials/wastes shall be reported for the previous two-week reporting period, cumulatively to date with a comparison to Buyer's initial estimated quantities. Quantities are to be reported in the unit of measure and type as proposed so as to be traceable to the Buyer's initial estimates.

(1) Performance Schedule

(a) The Buyer shall prepare and submit an updated performance schedule, which clearly compares actual progress against the baseline performance schedule.

(b) An updated Obsolete Vessel (s) profile drawing color coded and integrated to the performance schedule, which clearly displays, by location, the level of progress associated with hazmat remediation and structural dismantling.

(c) Identification of the deck to which the Obsolete Vessel(s) has/have been dismantled.

(d) Narrative of Buyer's proposed recovery plan and schedule to regain planned schedule performance.

(2) Hazardous Materials/Wastes

(a) Status of hazardous material/waste abatement and disposal including copies of all

required manifests and other shipping documents or hazardous property disposal documents.

i. Quantity of each type of hazardous material/waste removed from the Obsolete Vessel(s), in storage and shipped for recycling/disposal during the reporting period.

ii. Quantity of each type of hazardous material/waste forecasted to be removed from the Obsolete Vessel (s), placed in storage, or shipped for disposal in the next two-week reporting period.

iii. Copies of chain of custody forms for all samples and copies of the results of sampling obtained during the previous two-week reporting period.

(3) Recyclable Materials

(a) Status of recyclable equipment and materials disposal including copies of all required property transfer documents.

(b) Tonnage of recyclable ferrous and non-ferrous metals and equipment removed, in storage and shipped during the previous two-week reporting period.

(c) Cumulative totals of recyclable ferrous and non-ferrous metals and equipment removed, in storage and shipped.

(d) Forecasted tonnage of recyclable ferrous and non-ferrous metals and equipment to be removed, placed in storage and shipped in the next two-week reporting period.

4. Health and Safety/Regulatory Inspections

(1) Copies of notification of any regulatory agency inspection conducted, or any Notices of Violation, citations, or cautionary notices received from regulators during the previous two-week reporting period. Status of the Buyer's worker health and safety program including copies of all required health and safety documentation.

(2) Status of any safety deficiencies found during on-site inspections by the Buyer any Federal, State or local regulatory agency' and Buyer's expected timetable for completing corrective action.

(3) Copies of worker exposure monitoring data.

(4) Copies of asbestos enclosure clearance sampling results.

(5) Copies of Marine Chemists gas free certifications.

(6) Copies of notification of any other documentation relating to Federal, state or local administrative or legal actions arising under or relating to the Contract. The Buyer shall supply the COTR with copies of all correspondence associated with regulatory agencies relating to the performance of this Contract.

(7) Copies of any accident, incident and injury reports generated by the Buyer and required for submittal to any regulatory agency during the previous two-week reporting period.

(8) Summary totals of worker injuries, incidents and lost labor days for the previous two-week reporting period including cumulative totals and a summary of causes.

(9) Copies of outstanding permits/licenses required for performance of this Contract and any existing permits/license due to expire within 90 days for the reporting date.

(10) Copies of advance notice of commencement, submitted by the Buyer or its subcontractors, of project activities requiring notification to any regulatory agency.

(C) Final Close-Out Report:

(1) The Buyer shall completely dismantle the vessel so that no part of the ship is left intact or undisturbed to the extent that it can be reconstructed or readily identified as an existing portion of the original hull or superstructure. Dismantling shall be defined as reducing the property such that it has no value except for its basic material content. Upon completion of the Contract performance The Buyer shall within 30 days after removal of the last structural piece of the vessel from the slip, complete remediation, removal and disposal of all hazardous materials from the vessel. The Buyer may retain recyclable ferrous and non-ferrous metals and equipment indefinitely after the 30 day period and may dispose of these recyclable materials at the Buyer's convenience. Stockpiled material from MARAD, other vessels and or recyclable materials that have been tested and found to contain PCBs in concentration greater than 50 ppm shall be segregated from clean recyclables and shall be disposed in accordance with all applicable statutes and regulations within 30 days after the last structural piece of the vessel is removed from the slip.

The completion of the dismantlement of the vessel shall be designated as the completion of the cutting of all structural components from the vessel to the extent that the vessel can no longer be reconstructed or readily identified as an existing portion of the original hull or superstructure.

(2) The Buyer shall provide a final closeout report to include the requirements listed above, as well as the following additional requirements: The final close out report is a milestone activity and shall be scheduled in the performance plan. The report shall be submitted to MARAD within thirty (30) calendar days after the last structural piece is removed from the slip.

(a) A final performance schedule updated to show actual events of the project including the actual duration of the scheduled activities compared to the established baseline schedule.

(b) A comparison report, which shows actual quantities of all materials, abated, disposed or recycled compared to the Buyer's hazardous material estimate.

(c) Total dismantling labor hours by hazmat quantities and dismantling activities.

(d) Total abatement labor hours by hazmat quantities and dismantling activities.

(e) A comparison report, which reports actual costs, compared to estimated costs, for all tasks listed in the Contractors Estimated Cost/Revenue Breakdown sheet.

(f) Quantity of wastes disposed by element.

(g) Quantity of scrap recovered for resale to include, but not be limited to, ferrous, non-ferrous, and equipment including revenue received for each type of recyclable material. The Buyer shall provide the figures for the actual revenue received for sold recyclable materials. For materials stock piled after the closeout date the Buyer shall provide the estimated revenue for each type of recyclable material based on the anticipated revenue calculated at the time of submission of the Final Close out report. The figures shall be totaled to arrive at the final revenue amounts received for each type of recyclable material.

(h) A written certificate attesting that on said date all materials associated with the Obsolete Vessel(s) have been disposed of in accordance with the applicable regulatory and Contract requirements. The contractor shall identify the types and quantities of recyclable material and equipment retained for recycling.

(i) A written certificate attesting that on said date the dismantling facility has been

returned to the same condition as identified in the baseline pre-arrival/arrival determination.

(j) A written certificate entitled "Certificate of Destruction" attesting that on said date the Obsolete Vessel(s) has been completely dismantled to its basic material content and that all hazardous materials/wastes have been remediated and disposed of in accordance with all Federal, State and local laws and regulations.

(k) A written "Release of Claims".

(D) Bi-Weekly Progressing Meeting: The Buyer shall participate in a Bi-Weekly Progress Meeting at a place and time mutually agreeable to all parties either on site or by teleconference. The Buyer's representative in attendance shall be authorized to make management decisions relative to the requirements of the Contract.

(1) The Buyer shall be prepared to discuss the following:

(a) Total percentage of work complete, percentage completion of each Work Item, Performance Schedule milestones, key events, Controlling Work Items, Critical Path, float, and schedule recovery.

(b) Planned production manning versus actual manning.

(c) Major problems for each item and proposed corrective action.

(2) The Buyer shall provide for the bi-weekly meeting, and at least one working day prior to the scheduled meeting, an updated performance schedule with a summary report listing each work item and activity, as well as current physical progress percent complete for each. Percentage complete shall agree will the percentage complete as reported in the Production Schedule.

ARTICLE 11. MILESTONES/DELIVERABLES.

Performance Schedule Milestones: The Buyer shall incorporate into the performance schedule the following major Contract milestones and required due dates as listed.

Milestone	Due Date
1. Deliver Sub-Contractor Listing	3 days after Contract Award Date
2. Deliver Key Personnel Roster	3 days after Contract Award Date
3. Deliver Certificates of Company Insurance	5 days after Contract Award Date
4. Deliver Cert of Asbestos Abatement Liability	5 days after Contract Award Date
5. Deliver Performance Bond	10 days after Contract Award Date, See Article 15
6. Deliver Initial Performance Schedule	7 days after Contract Award Date
7. Deliver Tug Safety Management Certificate	10 days after Contract Award Date
8. Deliver Performance Schedule Activity Weighted Average Breakdown	7 days after Contract Award Date
9. Deliver Surveyor's Trip in Tow Recommendation Report.	
10. Deliver Liquid Load/Ballast Plan,	Not later than 5 days after NTP
11. Deliver Vessel Afloat Monitoring Plan	Not later than 7 days prior to tow 10 days after Contract Award, but not later than 3 days prior to the vessel departure from the fleet.

12. Deliver Towers Insurance	3 days before vessel departure
13. Deliver Facilities Pollution Insurance	3 days prior to the departure of the vessel from the fleet.
14. Deliver in-water hull cleaning Divers report	Prior to departure of the vessel from the fleet.
15. Deliver USCG Load Line Exemption and Order for Departure	Prior to departure of the vessel from the fleet.
16. Remove vessel from fleet	NLT 30 days after NTP is issued
17. Deliver Pre-Arrival/Arrival Reports	4 days after vessel arrival
18. Deliver Hazardous Materials/Wastes Inventory /Contractor estimate	10 days after vessel arrival
19. Deliver tank content verification report	10 days after vessel arrival
20. Deliver Validation of Contractor HM/HW estimates by sampling and analytical results	20 days after vessel arrival
21. Complete PCB Abatement	TBD by contractor performance schedule
21. Complete Asbestos Abatement	TBD by contractor performance schedule
23. Complete all Hazmat Removal/Disposal	TBD by contractor Performance schedule
24. Begin Vessel Dismantling	TBD by contractor performance schedule
25. Remove Last Structural Piece from Slip	TBD by contractor performance schedule
26. Complete Vessel Dismantling	TBD by contractor performance schedule
27. Complete Material Sales and Recycling	30 days after removal of last Structural piece from the slip
28. Complete Facility Cleaning and Restoration	30 days after removal of last Structural piece from the slip
29. Deliver Certificate of Destruction	30 days after removal of last structural piece from the slip
30. Deliver Closeout-Report and Final Schedule.	30 days after removal of last structural piece from the slip

ARTICLE 12. DISPOSITION OF OBSOLETE VESSEL(S).

1. This Sales Contract is subject to the following conditions and the violation of such conditions by the Buyer or its successors and assigns shall, at the option of the Contracting Officer, be considered a breach of this Contract may result in the forfeiture of posted bonds, legal fees, costs associated with remediation and dismantlement.

(A) The Buyer shall, as per the approved Technical Compliance Plan Performance Schedule, deliver, dismantle the hull and superstructure and remediate all hazardous materials of the Obsolete Vessel(s), unless the Obsolete Vessel(s) is/are lost at sea or otherwise destroyed. As used in this Contract:

(1) The term “dismantlement” is defined as the reduction of all materials, components and structures of the Obsolete Vessel(s) to their basic material and/or recyclable content. To dismantle the Obsolete Vessel(s) means to deconstruct, dismember, or destroy the hull and superstructure and all component parts thereof in such a manner that no considerable part of the

material is left intact or undisturbed to the extent that it can be readily identified as an existing portion of the original hull or superstructure. This includes the removal from the Obsolete Vessel(s) (without replacement) of all hull, inner bottom, bulkhead, deck and deck house materials, as well as all floors, longitudinals, webs, girders and other framing; and

(2) The term "hull" means the framework of a vessel, including the keels, together with all decks, deck houses, tanks, the inside and outside plating and all steel bulkheads, but exclusive of masts, yards, rigging, machinery, outfit and equipment.

(B) With respect to the material resulting from the dismantling of the Obsolete Vessel(s) and any items removed from the Obsolete Vessel(s) for reuse, such as engines, machinery and equipment, the Buyer agrees:

(1) That neither such scrap nor any materials removed, nor any interest therein, shall be sold or ownership transferred to any party on the Department of Commerce's embargoed countries and persons list in effect at the time of such sale or transfer.

(2) Electric cables shall not be exported to be stripped of their recyclable metal content, and

(3) In the event that any items removed from the Obsolete Vessel(s) are exported from the United States for reuse, such as engines, machinery and equipment, the items shall not be imported back into the United States of America, unless the Secretary of Commerce determines that importation of such property, or any items thereof, would relieve domestic shortages or otherwise be beneficial to the economy of the United States, and the sale is made expressly subject to this condition. Application for such determination should be submitted to the Foreign Excess Property Officer, Statutory Import Programs Staff, Industry and Trade Administration, U.S. Department of Commerce, Washington, D.C. 20230.

(C) As proof of the ultimate dismantling of the hull of the Obsolete Vessel(s), and the disposal or utilization of the resultant scrap, the engines, machinery and equipment, in the manner above set forth, there shall be filed with the Contracting Officer a Certificate of Destruction to the Contracting Officer.

(1) The Buyer shall not at any time operate the Obsolete Vessel(s), or cause or permit the same to be operated, and shall not carry on the Obsolete Vessel(s), or cause or permit to be carried on the same, any cargo or passengers for its own account or for the account of others, or use the Obsolete Vessel(s)'s hull, superstructures or any part thereof, or cause or permit the same to be used for any commercial purpose whatsoever, while moving the Obsolete Vessel(s) from its present location to the plant or yard at which the Obsolete Vessel(s) is to be dismantled, or at any other time.

(2) In the event the Buyer is delayed in dismantling the Obsolete Vessel(s) in the manner aforesaid, and the Contracting Officer is satisfied that such delay has been caused by conditions beyond the control of the Buyer, or if the Contracting Officer is satisfied that such delay has been caused by conditions which, by the exercise of reasonable diligence, the Buyer was unable

to prevent, then the Contracting Officer shall, by consent in writing, extend the time for dismantling same for such period as is reasonable under the circumstances. The decision of the Contracting Officer as to the existence of the cause or causes of such delay, and also as to the extension of time, which shall be allowed, shall be final and conclusive upon the Buyer. Applications for extensions of time shall be filed in writing with the Contracting Officer not later than ten (10) days after the happening of the event causing the delay, unless the Contracting Officer shall extend the time in writing for the filing of such application.

(3) The obligations to be performed by the Buyer under this Contract are based on Government policies governing the sale of Government Obsolete Vessel(s) for dismantling, and for that reason time is of the essence in the performance of such obligations. The failure of the Buyer to perform any such obligations in the manner set forth and within the time specified therefore, or any extension thereof, will cause the Government substantial damage, and the amount of such damage will be difficult to ascertain. In order to protect against indefiniteness and uncertainty of liability, the Buyer agrees:

(a) In the event the Buyer shall at any time operate or use the whole of the Obsolete Vessel(s) hull, superstructure, structural components, or portions thereof, or cause or permit same to be operated or used as a means of, or as an aid in, the transporting of passengers or cargo, the Buyer shall pay to the Contracting Officer, as liquidated damages and not as a penalty, in addition to any other sum or sums payable hereunder, the sum of ONE THOUSAND DOLLARS (\$1,000) for each day such Obsolete Vessel(s) is in operation or use.

(b) In the event the Buyer shall fail, neglect or refuse to dismantle the Obsolete Vessel(s) in the manner provided herein and within the time herein specified, or any extension thereof, the Buyer shall pay to the Contracting Officer as liquidated damages and not as a penalty, in addition to any other sum or sums payable hereunder, the sum of TWO HUNDRED DOLLARS (\$200.00) for each day the Buyer shall fail to perform as to such Obsolete Vessel(s), for a maximum of one hundred eighty (180) days; and

(c) In the event the Buyer shall fail, neglect or refuse to dismantle the Obsolete Vessel(s) in the manner herein provided and within the agreed to period of performance as described in ARTICLE 9, the Buyer shall pay to the Contracting Officer, as liquidated damages, and not as a penalty, in addition to any other sum or sums payable hereunder, a lump sum amount of FIFTY THOUSAND DOLLARS (\$50,000). The payment of liquidated damages as herein provided, however, shall not prevent the Contracting Officer from terminating this Contract as hereinafter provided. Neither shall such payment entitle the Buyer to operate or use the whole of the Obsolete Vessel(s) hull, superstructure or any structural component thereof or to cause or permit the same to be operated or used as a means of, or aid in, transporting passengers or cargo, nor be a waiver of any of the obligations or agreements to be performed by the Buyer hereunder.

(D) In the event that:

(1) The Buyer shall operate the Obsolete Vessel(s), or cause or permit the same to be operated; or

(2) The Buyer shall carry on the Obsolete Vessel(s), or cause or permit to be carried on the same any cargo or passengers for its own account or for the account of others, or use the whole of the Obsolete Vessel(s) hull, superstructure or any structural component thereof, or cause or permit the same to be used for any commercial purpose whatsoever; or

(3) The Buyer shall fail, neglect, or refuse to scrap the Obsolete Vessel(s) in the manner herein provided, and within the time herein above specified, or in any manner violate the conditions of this Contract, and the Contracting Officer determines that the Buyer has breached the Contract thereby; or

(4) The Buyer shall fail to pay liquidated damages as herein provided; then, and upon the occurrence of any one or more of such events, the Contracting Officer may terminate this Contract as to further performance by written notice to be served upon the Buyer, either personally or by leaving said notice at its principal office with the officer in charge thereof, or by service upon the Master, if any, aboard the Obsolete Vessel(s), and thereupon the Buyer shall cease to have any interest in the Obsolete Vessel(s), or any parts thereof, not dismantled as herein provided, and shall cease to have any benefits from the continuation of this Contract. The Buyer and/or its surety agrees that such termination shall not release the Buyer and/or its Surety from the payment of liquidated damages that are due and payable, as herein provided, from the Buyer to the Contracting Officer at the time of service of the same written notice.

(E) In the event this Contract is terminated as to further performance with respect to the Obsolete Vessel(s), as above provided, the Buyer agrees that it will forthwith upon receipt of directions from the Contracting Officer surrender to the Contracting Officer the actual possession of the Obsolete Vessel(s), or any parts thereof, not dismantled as herein provided, and deliver to the Contracting Officer a properly executed bill of sale for the Obsolete Vessel(s) conveying the Obsolete Vessel(s), or any parts thereof, not dismantled as herein provided, to the Government with full warranty of title and freedom from all liens and encumbrances.

(F) Neither the Obsolete Vessel(s), nor any parts thereof, shall be permitted to become a menace or obstruction to navigation either while being moved or while being dismantled as aforesaid; and, in the event that the Obsolete Vessel(s), or any parts thereof, shall at any time become a menace or obstruction to navigation, the Buyer shall, at its own cost and expense, remove the same forthwith, and upon its failure to do so, the Contracting Officer may, through any agent or agencies designated, remove said menace or obstruction at the cost and expense of the Buyer and/or its Surety, but no obligation shall be imposed upon MARAD to remove same.

(G) The foregoing provisions of this ARTICLE 12 shall run with the title to the Obsolete Vessel(s) and be binding on all owners thereof except the United States Government.

ARTICLE 13. NOTIFICATION OF EXPORT

1. It is unlawful to export Polychlorinated Biphenyls (PCBs) and other regulated hazardous materials from the United States of America. The Buyer is required to notify the

Contracting Officer, in writing of the intent to export any materials and /or equipment resulting from the Obsolete Vessel (s) dismantling efforts. Any and all exporting of materials and/or equipment resulting from this Contract must meet all International, Federal, State, and Local laws and regulations. Proper documentation is required for the export of any and all recyclable materials resulting from this Contract prior to commencement of export.

ARTICLE 14. INSPECTION BY GOVERNMENT

1. The Buyer shall permit MARAD, its representatives thereof and other Federal Agencies to inspect the Obsolete Vessel(s) and the Buyer's operations in connection therewith at all reasonable times upon request, for such purposes as MARAD or representatives thereof may deem necessary or appropriate in order to determine or verify compliance by the Buyer with all terms and conditions of this Contract.

ARTICLE 15. PERFORMANCE BOND

1. The Buyer shall furnish to the Contracting Officer a performance bond to secure the faithful performance and observance of all the agreements, covenants and conditions to be performed and observed by the Buyer hereunder. The aforesaid bond may be in the form of a United States commercial surety company bond on Standard Form 25, U.S. Government securities, irrevocable letter of credit issued by a U.S. citizen financial institution, the written guaranty of the Government of which the Buyer is a National, or other form of United States security satisfactory to the Contracting Officer. Such bond shall be in the amount of \$_____ and shall be valid until the Buyer completely dismantles the Obsolete Vessel(s) in accordance with ARTICLE 12 hereof and submits evidence to the Contracting Officer to satisfactorily establish full and complete performance and observance of all the terms and conditions set forth in the aforesaid ARTICLE 12.

ARTICLE 16. SALE OR ASSIGNMENT

1. The Buyer shall neither sell nor assign any of its rights or obligations hereunder, nor resell the Obsolete Vessel(s), without the prior written consent of the Contracting Officer. In addition, the Buyer shall be precluded from selling the Obsolete Vessel(s) for export. The Buyer shall advise the Government as to the location at which the Obsolete Vessel(s) will be dismantled and the identity of the dismantler. When evaluating the request for sale or assignment, the Contracting Officer may require the New Buyer or Assignee to submit for Government approval any information that would have been required if the New Buyer or Assignee were an original Buyer of the Obsolete Vessel(s), including but not limited to a Technical Compliance Plan.

ARTICLE 17. SUCCESSORS AND ASSIGNS

1. All the covenants, stipulations and agreements herein contained are and shall be binding upon the respective heirs, administrators, executors, successors and assigns, if any, of

the Buyer, and of the Administrator and the Contracting Officer.

ARTICLE 18. BENEFICIARIES

1. No member of or delegate to Congress, nor Resident Commissioner, shall be admitted to any share or part of this Contract or to any benefit that may arise there from except that this provision shall not apply to this Contract if made with a corporation for its general benefit. No member of or delegate to Congress, nor Resident Commissioner, shall be employed by the Buyer, either with or without compensation, as an attorney, agent, officer or director.

ARTICLE 19. CONTINGENT FEES

The Buyer warrants that no person or agency has been employed or retained to solicit or secure this Contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, except bona fide employees or bona fide established commercial agencies employed or maintained by the Buyer for the purpose of securing business. For breach or violation of this warranty, the Government shall have the right to annul this Contract with respect to the party in breach thereof and to require the Buyer, to pay, in addition to the contract price or consideration, the full amount of such commission, percentage, brokerage, or contingent fee.

ARTICLE 20. ENVIRONMENTAL COMPLIANCE

1. The Buyer hereby acknowledges and accepts responsibility for strict adherence to all applicable Federal, state, local and laws, statutes, ordinances, rules regulations and orders relating to the environmental laws (hereinafter applicable laws), during transporting, processing or use of the Obsolete Vessel(s) received from the Government under this Contract. The Buyer is cautioned that it is solely responsible to ascertain the extent to which applicable laws may affect it and comply therewith. The Buyer also hereby acknowledges and accepts responsibility for steps that must be taken to insure financial responsibility for any and all discharges of oil occurring after delivery of the Obsolete Vessel(s) as required by 33 C.F.R. 130.1 et seq. administered by the United States Coast Guard.

2. Regulated Materials. The Environmental Protection Agency (EPA) has determined that a large number of normal ships operational or maintenance materials (including but not limited to paints, lubricants, solvents, detergents, etc.) may be hazardous. Unless specifically stated otherwise, the term "hazardous materials" or "regulated materials" as used in this Contract refers to any hazardous or toxic materials, hazardous or toxic substances, hazardous or toxic chemicals, hazardous, toxic or solid waste, or petroleum and petroleum products as defined in any applicable laws.) The Buyer shall provide copies of all hazardous waste manifests to the Contracting Officer or designee. The Buyer accepts responsibility for proper handling of regulated materials in compliance with applicable laws.

3. Generator Duties. The Buyer expressly (a) acknowledges its duty to comply with applicable laws, including but not limited to The Toxic Substances Control Act, 15 U.S.C. §

2601 et seq and the implementing regulations, 40 C.F.R. Part 761; and (b) agrees that it will perform all required duties, including those of the generator of hazardous, toxic or solid waste including but not limited to PCB waste or any regulated PCBs or PCB item removed from the Obsolete Vessel(s). In accordance with applicable laws, including 40 C.F.R. Part 761, the Buyer expressly agrees that it will obtain an EPA identification number; arrange for all regulated material to be transported to an approved treatment, storage or disposal facility; perform all communication and record keeping tasks; and, prepare, sign and return all requisite copies of all manifests, including but not limited to those for PCBs and PCB items, removed from the Obsolete Vessel(s), and provide copies of such documents to MARAD. The Buyer agrees that items or components remaining on board the Obsolete Vessel(s) may be regulated in the locality where the Obsolete Vessel(s) will be berthed during performance of this Contract, and the Buyer is solely responsible for ascertaining the extent to which regulations of said locality effect it and for compliance therewith.

4. Asbestos. The Buyer hereby acknowledges and accepts responsibility for asbestos found on the Obsolete Vessel(s), including but not limited to pipes, ducts, boilers, tanks, reactors, turbines, furnaces, structural members, etc., or in holds or compartments of the Obsolete Vessel(s) sold under this Contract. The Buyer shall provide the COTR with copies of all manifests for the transport, storage and disposal of asbestos. Federal standards for handling and for the removal of asbestos from Obsolete Vessel(s) within the United States are prescribed at 40 C.F.R. Part 61, Subpart M.

5. Polychlorinated Biphenyls (PCBs). The Buyer hereby acknowledges and accepts responsibility for PCBs found on the Obsolete Vessel(s) sold under this Contract. The Buyer shall provide the COTR with copies of all manifests for the transport, storage and disposal of PCB's. Federal standards for handling and disposal of PCBs from the Obsolete Vessel(s) within the United States are at 40 C.F.R. Part 761. The Buyer is advised to contact the cognizant EPA office for explicit details. The Buyer hereby acknowledges and accepts sole responsibility for the handling and disposing of all items containing PCBs regulated under applicable environmental laws.

6. Inspection Rights. Pursuant to ARTICLE 14 of this Contract, MARAD and EPA reserve the right to conduct unannounced inspections at any time during the PCB removal and the Obsolete Vessel(s)'s dismantling activity pursuant to this Contract and Section 11 of TSCA 15 U.S.C. §2610, respectively. MARAD or its designee may inspect all operations in connection with the dismantling of the Obsolete Vessel(s).

ARTICLE 21. POTENTIAL HEALTH HAZARDS

1. The Buyer is responsible for the asbestos, the PCBs and the other regulated materials in the Obsolete Vessel(s) that are considered health hazards and particular care must be taken in handling and disposing of such material. The Buyer hereby agrees and affirms its responsibility to assure safe and healthful conditions for all its employees engaged in each phase of the dismantling operation. This includes, but is not limited to, the provision of appropriate personal

protective equipment, the proactive elimination of occupational chemical, mineral, electrical, mechanical, and other material hazards, and the institution of prompt, pervasive engineering controls, proper education and training, and effective supervisory procedures in keeping with the requirements of the Occupational Safety and Health Act of 1970, including any provisions of such standards that may be made after the date of this Contract and specifically the relevant standards of 29 C.F.R. Part 1910, 29 C.F.R. 1915, 29 C.F.R. 1917, 29 C.F.R. 1918, 29 C.F.R. 1919, as well as all other laws, statutes, rules, ordinances, regulations and orders with respect to safety and health with respect to actions occurring within and without the United States.

2. The Buyer is responsible for items which may be capable of emitting ionizing radiation in varying degrees; such as, switches, circuit breakers, knobs, controls, pointers, instruments, dials, electron tubes, markers, etc., aboard the Obsolete Vessel(s).

3. The Buyer further acknowledges and accepts responsibility for the presence of sea gull, pigeon and other bird droppings aboard the Obsolete Vessel(s) as such droppings may create an unhealthful condition. As a safety precaution, the Buyer is advised that all personnel working in areas of the Obsolete Vessel(s) where such droppings are present should wear appropriate protective equipment.

4. The Government does not assume any liability for damage to the property of the Buyer or for personal injuries, disabilities, or death to the Buyer or the Buyer's employees or to any other person arising from, or incident to, the sale of the Obsolete Vessel(s) pursuant to this Contract and/or any material aboard such Obsolete Vessel(s), or to its use or disposition. As a safety precaution, the Buyer should also warn any future possessor of the Obsolete Vessel(s) of the potential health hazards referred to above.

ARTICLE 22. INCIDENT REPORTING

1. The Buyer must provide verbal or e-mail notification to the COTR within two (2) hours of and written notification within 24 hours of any incident involving injuries to personnel, spills, fires, explosions, damage to property, or harm to the environment or any other significant incidents which may arise from other performance aspects under this Contract. The Buyer shall, within one week of receipt, provide copies of any notices of violation, citation, or other documentation relating to Federal, state or local administrative or legal action against the Buyer regarding actions arising under or relating to this Contract.

ARTICLE 23. BUYER'S GUARANTEE

1. The Buyer hereby absolutely, irrevocably and unconditionally guarantees that in the event any claim against MARAD is filed by any governmental unit, national, state or local, or any private party in a qui tam action or otherwise, for any fee, fine, penalty or monetary award, in connection with dismantlement of the Obsolete Vessel(s), the Buyer shall promptly take any and all actions needed to ameliorate, defend and pay the fee, fine, penalty or monetary award.

2. The Buyer hereby consents and agrees that its obligations under this Contract will not be discharged by any act or omission to act of any kind by MARAD. Any amount payable hereunder shall not be subject to any reduction by reason of any counterclaim, set-off, deduction, abatement or otherwise.

3. The Buyer shall pay all reasonable costs and expenses (including, without limitation, attorneys' fees and expenses) incurred in connection with the enforcement of the obligations of the Buyer under this Contract. It is expressly agreed that the liability of the Buyer for the payment of the obligations guaranteed herein shall be primary and not secondary.

4. This guarantee of payment on the part of Buyer shall:

(A) Remain in full force and effect so long as any obligation of the Buyer exists under this Contract;

(B) Be binding upon the Buyer, its successors and assigns;

(C) Be executed and issued for the sole and exclusive benefit of the United States, and no other party shall be permitted to claim any benefit, direct or indirect, there from; and

(D) Inure to the benefit of, and be enforceable by MARAD, its successors and assigns.

ARTICLE 24. REPRESENTATION AND WARRANTIES.

1. The Buyer represents and warrants as follows:

(A) The Buyer has full power and authority (corporate, legal and other) to execute, deliver and carry out the terms of this Contract;

(B) This Contract has been duly authorized, executed and delivered by the Buyer and constitutes the legal, valid and binding obligation of the Buyer enforceable against the Buyer in accordance with its terms;

(C) The execution, delivery and performance by the Buyer of this Contract does not require the approval or consent of its shareholders or of any governmental authority and does not contravene the Buyer's Certificate of Incorporation or any mortgage, indenture or other agreement binding upon it, or any law, regulation, order, judgment or decree applicable to the Buyer; and

(D) The Buyer has fully adequate financial resources, funds, and assets to satisfy their obligations under this Contract, and the Buyer will in the future retain financial resources, funds, and assets to fully satisfy its obligations under this Contract.

ARTICLE 25. DISPUTES

1. This Contract is subject to the Contract Disputes Act of 1978, as amended (41 U.S.C. 601-613).

2. This article applies to all disputes with respect to Contracting Officer decisions on matters "arising under" or "relating to" the Contract. The Department of Transportation Board of Contract Appeals (BCA) authorized under the Act has all of the authority to consider disputes arising under this Contract, as well as authority to decide disputes relating to this Contract.

3. This article does not apply to any contract with (a) a foreign government or agency of that government, or (b) an international organization or a subsidiary body of that organization, if the agency head determines that the application of the Act to the Contract would not be in the public interest. This clause applies to foreign persons and foreign legal entities that are not covered by (1) and (2) above.

ARTICLE 26. CONTRACTING OFFICER'S CONSENT

1. Wherever in this Agreement something is subject to Contracting Officer's consent or determination, the Contracting Officer shall be reasonable in giving consent or in making such determination.

ARTICLE 27. COUNTERPART SIGNATURE

1. This agreement may be executed in any number of counterparts, each of which shall be part of an original and all of which shall constitute but one and the same instrument.

ARTICLE 28. GOVERNING LAW.

1. This Contract shall be governed by the federal law of the United States.

ARTICLE 29. NOTICE TO PROCEED.

1. The Buyer shall remove the Obsolete Vessel(s) from the Beaumont Reserve Fleet not later than 30 days after issuance of the official notice to proceed (NTP). The contract award date and the NTP date may not be one and the same. MARAD may schedule issuance of the notice to proceed to minimize the impact to the workload at the fleet with regard to Obsolete Vessel(s) arrivals and departures and fleet maintenance activities. Failure to provide proof of the following items by the Notice to Proceed date may be reason to terminate the Contract for cause.

(A) Workers Compensation, Including Longshoremen and Harbor Workers Act coverage.

(B) Employers Liability coverage.

(C) Comprehensive General Liability insurance coverage.

(D) Maritime Employers Liability (Jones Act) insurance coverage.

(E) Asbestos Abatement Liability Insurance coverage.

(F) Performance surety.

The contractor bears all risks and costs associated with performing work on the vessel prior to

the NTP issuance. MARAD will not be liable for any costs arising from Contractor performance prior to the issuance of Notice to Proceed for any reason including non issuance of the Notice to Proceed, and or termination of the contract. Inspection by a Marine Surveyor for the purpose of developing the trip in tow survey will be the only activity allowed aboard the Obsolete Vessels(s) prior to the issuance of the NTP. The Contractor shall submit a copy of the Marine Surveyors initial trip in tow recommendation report within 5 days after the issuance of the official notice to proceed.

2. Historic Vessel Assessment – Not Applicable. Historical assessment of vessel is complete.

IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and year first above written.

UNITED STATES OF AMERICA
SECRETARY OF TRANSPORTATION
MARITIME ADMINISTRATION

ATTEST:

By: _____
Secretary
Maritime Administration
(Seal)

By: _____
Director,
Office of Ship of Disposal Programs

ATTEST:

By:

By: _____
(Title)
(Corporate Seal)

By: _____
(Title)

ACKNOWLEDGMENT IN PROPER LEGAL FORM TO BE EXECUTED AND FIRMLY AFFIXED HERETO.

EXHIBITS:

1. List of vessel name and location
2. Bill of Sale
3. NDRF Safety Rules
4. BRF Safety Rules
5. SDP Tow preparation for obsolete vessels
6. List of Ordinance Equipment
7. USCG Interim Criteria for Cleaning hulls of MARAD vessels prior to Relocation for Disposal.

EXHIBIT 1

VESSEL NAME

LOCATION

BILL OF SALE

TO ALL TO WHOM THESE PRESENTS COME, GREETINGS:

KNOW YE, THAT THE UNITED STATES OF AMERICA REPRESENTED BY THE SECRETARY OF TRANSPORTATION ACTING BY AND THROUGH THE MARITIME ADMINISTRATOR (THE "SELLER"), THE SOLE OWNER OF THE VESSEL (THE "VESSEL") HERE IN BELOW MORE PARTICULARLY IDENTIFIED, AS FOLLOWS:

NAME:

TYPE:

LOCATION:

FOR AND IN CONSIDERATION OF THE SUM OF _____, (\$_____),
LAWFUL MONEY OF THE UNITED STATES OF AMERICA, TO IT IN HAND PAID
BEFORE DELIVERY BY _____, ("THE BUYER"), AND
OTHER GOOD AND VALUABLE CONSIDERATIONS, THE RECEIPT OF BOTH OF
WHICH IT DOES HEREBY ACKNOWLEDGE AND IS THEREWITH FULLY SATISFIED,
CONTENTED AND PAID, HAS BARGAINED AND SOLD, ANY BY THESE PRESENTS,
DOES BARGAIN AND SELL UNTO THE BUYER, ITS SUCCESSORS AND ASSIGNS,
ALL OF THE RIGHTS, TITLE AND INTEREST OF THE SELLER IN AND TO THE
VESSEL, ALL ENGINES, BOILERS, MASTS, SAILS, BOATS, CABLES, TACKLE,
FURNITURE AND ALL OTHER NECESSARIES THERE TO APPERTAINING AND ON
BOARD THE VESSEL. TO HAVE AND TO HOLD THE VESSEL AND APPURTENANCES
THEREUNTO BELONGING UNTO IT, THE SAID BUYER, ITS SUCCESSORS AND

ASSIGNS FOREVER TO THE SOLE AND ONLY PROPER USE, BENEFIT, AND BEHALF OF THE SAID BUYER AND ITS SUCCESSORS AND ASSIGNS, AND THE SELLER HEREBY EXPRESSLY SELLS THE VESSEL "AS IS, WHERE IS" AFLOAT AND MAKES NO WARRANTY, GUARANTY, OR REPRESENTATION AS TO SEAWORTHINESS, DESCRIPTION, CAPACITY, CONDITIONS, TONNAGE, OR OTHERWISE CONCERNING SAID VESSEL AND APPURTENANCES, EXCEPT THAT SELLER HAS PROMISED, COVENANTED AND AGREED, AND BY THESE PRESENTS DOES HEREBY PROMISE, COVENANT AND AGREE FOR ITSELF AND ASSIGNS, TO AND WITH THE SAID BUYER, ITS SUCCESSORS AND ASSIGNS, TO WARRANT AND DEFEND THE TITLE IN AND TO THE SAID VESSEL AND APPURTENANCES AGAINST ALL AND EVERY PERSON OR PERSONS WHOMSOEVER, AND ALSO WARRANTS THAT THE SAID VESSEL AND APPURTENANCES ARE FREE AND CLEAR OF LIENS AND ENCUMBRANCES.

TITLE TO THE AFORESAID VESSEL IS BEING TRANSFERRED TO THE BUYER BY THIS BILL OF SALE PURSUANT TO AND SUBJECT TO THE TERMS AND PROVISIONS OF THE PURCHASE CONTRACT BETWEEN THE UNITED STATES OF AMERICA, AND THE BUYER DATED AS OF THIS DATE, CONTRACT NO. MA- (THE "PURCHASE CONTRACT"), WHICH PROVIDES, AMONG OTHER THINGS, THAT THE VESSEL SHALL ONLY BE USED IN COMMERCIAL PURSUITS AS PER THE BUSINESS PLAN, BUT SHALL NOT BE USED FOR THE CARRIAGE OF CARGOES RESERVED TO THE UNITED STATES UNDER SECTION 46 APP. U.S.C. 55317 AND 46 APP. U.S.C. 55314 OF THE MERCHANT MARINE ACT, 1936, AS AMENDED.

IN TESTIMONY WHEREOF, THE UNITED STATES OF AMERICA,
REPRESENTED AS AFORESAID, HAS CAUSED THIS BILL OF SALE TO BE DULY
SIGNED AND SEALED ON ITS BEHALF BY ITS PROPER OFFICER, THEREUNTO DULY
AUTHORIZES) THIS _____ DAY OF _____, 2007.

UNITED STATES OF AMERICA
SECRETARY OF TRANSPORTATION
MARITIME ADMINISTRATION

By _____
Director, Office of Ship Disposal Programs

ATTEST:

By: _____
Secretary

(Seal)

**MARITIME ADMINISTRATION
NDRF RESERVE FLEET SAFETY RULES**

1. Employees shall be protected by personal flotation devices (life vests) while working from, or embarking or disembarking, from small boats, skiffs, or floats while working near unguarded edges of Vessels afloat; or while engaged in over-water work. Personal flotation devices must be properly fastened and worn ascending and descending gangways.
2. All passengers riding in LCM personnel boats shall be below and seated before LCM departs and shall remain below and seated until the LCM is properly secured either alongside the accommodation ladder or the pier side and the operator notifies the employees to disembark.
3. Personnel aboard all craft shall remain inside of the bulwarks and railings and at no time will anyone sit on top of bulwarks or rails.
4. During periods of poor visibility (to be determined by a Supervisor), the craft operator shall designate one passenger to ride bow lookout position (wearing a life jacket) and shall maintain verbal or visual communication with that person.
5. Personnel shall not descend from the deck of the ship onto the accommodation ladder or landing platform to wait for transportation. When transportation does arrive, no more than five (5) individuals are permitted on the accommodation ladder at one time and they shall be equally spaced out. This applies to ascending ladders also.
6. Operation of skiffs by Fleet personnel shall be at the discretion of a supervisor, who will determine the number of employees necessary for operation and performing the job, dependent on weather and water conditions.
7. Ring buoys (life rings) with at least 90 feet of nylon line attached shall be available at the head of each gangway and on stern of Fleet craft, power barges, tugs, and at the pier. At least three 30 inch Coast Guard approved life rings, with lines attached, shall be kept in easily visible and readily accessible places aboard each Vessel afloat on which work is being performed, except on Vessels under 200 feet in length, in which case, one at the gangway will be sufficient.
8. All ends of mooring lines shall be coiled neatly and areas left clear.
9. Smoking is prohibited aboard Vessels except on open decks or in places designated as smoking areas. Also, smoking is prohibited during fueling and cleaning operations of any

kind. This includes the filling or emptying of cans of gasoline, xylene, varsol or any other combustible or flammable liquids or gas.

10. Cigarette butts shall not be thrown over the side of any Vessel. While at the dock, no cigarette butts shall be thrown onto the dock or into the water. Sand containers or ashtrays shall be provided in designated smoking areas. Paper and trash are not to be placed in ashtrays.
11. All debris, oily rags industrial wipers, etc., will be removed from the ships and working areas. These areas are to be left in clean condition and all materials stowed neatly at the end of each workday. No rags, cups or other trash, oils, fuels, greases, chemicals, lumber, etc., shall be thrown overboard.
12. Safety shoes with impact-resistant toes and slip resistant sole material shall be worn for protection against falling or rolling objects, sharp objects, molten metal, hot surfaces, and oily or wet, slippery surfaces. Shoes with loose soles, heels, laces or otherwise in poor condition will not be permitted.
13. All personnel working at the Fleet shall wear and/or use approved safety equipment, as required, including personal protective equipment, safety harnesses and securing lines, safety glasses, and any and all other equipment designated as safety equipment. Only safety equipment which has been issued by the Fleet shall be used by Fleet employees.
14. Protective hard hats shall be worn by personnel of all departments while aboard ships or in any other areas where head injury hazards exist. Also, a lighted miner's lamp, flashlight, or other approved light must be used at all times while in dimly lit areas. Miner's lamps are to be returned to the lamp room at the end of each working day.
15. All workers at the Fleet shall wear safety glasses or goggles while in the vicinity of any operation generating matter that might strike or lodge in the eyes. Such operations shall include, but not be limited to, scaling rust, water blasting, Aqua Dyne water blasting, sandblasting, operating a skill saw, grinding, handling batteries, boiler cleaning, and anchor windlass operations.
16. All workers at the Fleet shall wear hearing protection (plugs or muffs) whenever exposed to loud noises and in areas marked as requiring hearing protection.
17. Consistent with 29 CFR 1910.134, respirators shall be worn while scraping paint, during sandblasting, spraying, or other operations where dust, fumes, airborne particles, or noxious gases may be present.
18. Protective gear shall be worn during water blasting consisting of a hard hat, safety glasses, face shields, shin guards (baseball type) and steel rigidlum guard foot protectors. The Supervisor and/or Leaderman shall inspect the protective gear worn by the operator prior to starting operation.

19. Employees operating a sandblasting machine shall wear protective gear consisting of leather gloves, hood, and leather apron. The Leaderman and Supervisor shall inspect the protective gear worn by the operator and shall instruct the operator in its proper use.
20. When assisting the Welder/Burner, employees shall wear flash goggles/glasses. The Welder/Burner shall provide the goggles/glasses and shall instruct employees in their proper use.
21. Burning, welding, or other hot work may not take place on or in any Fleet units until a written hot work request/certificate is submitted and approved by the Fleet Program Manager. In the absence of the Fleet Program Manager, approval must be obtained from the Fleet Administrative Officer or Fleet Safety Officer. No hot work will be performed on or in a confined space without a gas-free certificate issued by an NFPA Certified Marine Chemist in accordance with applicable regulations. A copy of all certificates must be posted as required and a copy provided to the Fleet Program Manager for filing. The Fleet Safety Officer will inspect any area where hot work is to take place prior to authorizing such work to take place. Under no circumstances will any hot work take place on any Fleet unit without this authorization. All hot work on Fleet units must cease one hour prior to the fleet usual daily time of quitting work. During the one-hour period between stopping hot work and leaving the jobsite, the area where hot work was taking place will be kept under observation for at least 30 minutes by both the contractor and the Fleet escort in order to ensure there is absolutely no danger of a fire starting.
22. When welding, burning, or other hot work is being performed, the contractor will provide a qualified, properly equipped fire watch. This person is to be instructed in his exact duties and is to perform no other function/task while assigned fire watch.
23. Employees must report all accidents resulting in injury, regardless of how slight they may be, to their supervisor and to the Safety Officer so that the injury can be treated, if necessary, and recorded. This must be done immediately on the day of injury, or at the soonest practical time in the event of severe injury.
24. Asbestos Hazard Considerations--the exposure of unprotected personnel to airborne asbestos fibers shall be prevented. While many studies and air samplings have been conducted under varying conditions within the Reserve Fleet environment, no conditions have been found to require special protective clothing or breathing protection while engaged in routine operations of the Fleet. Employees shall not disturb insulation, or perform repairs on insulation or overhead or bulkhead panels that may contain asbestos.
The following general policies will apply:
 - a) All employees shall be alerted to the hazards associated with asbestos and shall be instructed in the use of respirators.
 - b) Repairs or removal of asbestos located at any MARAD facility, or aboard any Vessel under MARAD jurisdiction, shall not be conducted by MARAD personnel. Such work

- shall be conducted by a contractor in the Fleet or at a shore repair facility. When work requires the possibility of exposure to airborne asbestos, or work is in any way associated with asbestos, (in anchor windlass room) a half-mask, air-purifying respirator, equipped with high-efficiency filters, shall be worn. Disposable respirators/dust masks are prohibited.
- c) Air pressures shall not be used to blow down engine rooms in the process of cleaning. Also, broom sweeping such debris is prohibited. Only vacuum cleaning equipment with special filter attachment is authorized for this purpose, unless vacuuming and/or wet cleaning are not feasible.
 - d) Asbestos warning signs shall be posted at the access door of all regulated areas, and suitable personal protective equipment shall be worn by employees entering the space(s).
25. No work shall be performed in any void, tank, or compartment until it has been declared gas free with sufficient oxygen after being tested by trained personnel.
26. An employee shall not inspect or perform work in confined or enclosed spaces such as closed cargo holds or tanks of ships until the following criteria are met:
- a) Space shall be tested for oxygen deficiency/excess and dangerous vapors by a Shipyard Competent Person, Marine Chemist, or U. S. Coast Guard personnel.
 - b) Rescue gear shall be available.
 - c) An employee shall not work on a ship unit upon which no other employees are present, unless authorized by a supervisor to do so.
27. No person shall be allowed to work aloft on stagings, masts, etc., four (4) feet or more above the working surface, without using prescribed safety harnesses and securing lines with approved fastenings and without being properly supervised and instructed during the operation.
28. No openings shall be left unprotected. This includes the removal of hatch boards, bilges, manhole covers, floor plates, and any other opening into which a person may inadvertently step or fall. All areas with an opening that can not be closed shall be roped off.
29. Gangway doors on Vessels not equipped with gangways shall be closed and secured. In the event the door is missing or it cannot otherwise be closed, the opening shall be chained off or wired with several strands of heavy wire.
30. In using gasoline and diesel powered equipment in enclosed spaces, adequate ventilation for the dissipation of exhaust fumes must be provided.
31. Electrical lines, air lines, hoses, etc., used in preservation work shall be triced up on deck clear of walkways and passage areas.
32. Under no circumstances shall any employee cross from ship to ship by any means other than gangways properly fitted with hand rails. Prior to installation of a permanent walkway between ships, a portable walkway with rails shall be utilized.

33. When ascending or descending ladders, at least one hand shall be free to grasp handrail.
34. All work gang supervisors or leaders of personnel assigned to remote locations and skiffs shall carry a Fleet issued UHF transceiver while on location. Procedures for daily testing of hand held radios and those on the various support craft will be devised at each site. All members of each gang shall be instructed in the use of the radio in the event of an emergency. Radios are to be kept within hearing distance of at least one member of the group at all times.
35. Gasoline, varsol, xylene, and other flammable or combustible liquids shall be stored in, and dispensed from, approved safety containers as furnished. Such cans shall be inspected regularly and properly marked as follows:
 - a) Cans painted red and stenciled: "**VAR SOL,**" "**XYLENE,**" or "**GASOLINE,**" as applicable.
 - b) Cans painted yellow and stenciled: "**LUBE OIL**" or "**PRESERVATION OIL,**" as applicable.
 - c) Cans painted red with a white band and stenciled: "**KEROSENE**"
36. Drip tanks or pans shall be used when parts are being cleaned and when draining oil or fuel from motors, engines, etc. Varsol, xylene or other solvents will be used from approved safety cans.
37. Safety can valves and flexible metal hose spouts must never be painted. They are to be treated with preservation oil.
38. Outboard motor operators must leave gas can vents open when they store them on the access can rack.
39. Under no circumstances shall an employee wear gloves, jewelry (especially neck chains), neck ties, long sleeves, loose clothing, or wear his/her shirt tail out when working around exposed moving machinery.
40. Metal shavings shall be cleaned up from around machines by means of brushes.
41. Oil spilled in decks, ladders, etc., shall immediately be wiped up and, if necessary, sanded. On Vessels sprayed with an oil or paint mixture, all gangways, passages, and areas in use shall be sanded. Appropriate signs shall be posted at all entrances to areas where slippery conditions are considered to exist.
42. Only authorized personnel may charge batteries. During the charging period, the area or compartment shall be thoroughly ventilated by either mechanical means or by natural draft. Smoking or the lighting of matches, lighters, etc., is prohibited in areas where batteries are being charged, and explosion proof lighting must be provided. Approved face shields shall be worn when watering batteries. Also, do not attempt to connect or disconnect battery terminals until the charger has been disconnected or turned off.

43. Flame burning/cutting and welding shall be kept to a minimum at the Fleet, and shall be accomplished by qualified Fleet employees and contractors only when duly authorized, and in accordance with existing fire prevention regulations. Before any welding or hot work is performed, a permit must be issued by the Fleet representative, and a fire watch should be set.
44. Never look directly at arc welding because of the potential for serious eye injury.
45. Prior to any employees working over the side of, or in a precarious location or position inside of a service craft at the access dock (where applicable), the warning light at the end of the dock shall be activated.
46. Whenever lumber is removed from a structure, nails shall be withdrawn or bent over immediately as part of the operation to prevent possible injury.
47. During high or low-pressure water blasting, the Deck Foreman or Leaderman shall assure that appropriate signs are posted at all entrances to the work areas.
48. Fire Bills and Safety Observers for each work group must be identified and posted on bulletin boards.
49. Employees shall promptly report, or correct if possible, all potentially dangerous areas and conditions to their supervisor.
50. The flooding alarms are energized at all times and should be handled with care. If a flooding alarm cord is cut or damaged in any way or must be moved to another location, contact the electrical department for assistance.
51. Each work gang shall have with them at all times a fully equipped First Aid Kit. This equipment shall be inspected weekly. Items found short or missing shall be replaced immediately. See Occupational Safety and Health Specialist for updated First Aid Kit equipment list.
52. Gangways, crosswalks and other crossings shall be inspected by the Rigger Leader, Rigger Foreman, or a supervisor prior to initial use and frequently thereafter. All shackles used on gangways and walkways shall have the pin seized with wire in a manner to prevent its becoming loose.
53. Straight ladders whenever and wherever used shall be made of aluminum or fiberglass, except in performing electrical work, when fiberglass ladders shall be used, and shall be rigidly inspected prior to use. Use of such ladders shall be kept to a minimum. Whenever using straight ladders to board ships, ladders shall be secured at top to railing of ship. Also, stepladders of the proper size shall be used where warranted. boxes, chairs, etc., shall not be used in lieu of step ladders.

54. Defective ladders shall be roped off and warning signs hung in place.
55. The proper tool for each job shall be used. Mushroomed chisels, split hammer handles, or other tools that are in any way unsafe are prohibited. Such defective tools and/or equipment must be taken out of service to be repaired or replaced. Tools shall always be placed or stowed in such a manner as to prevent injuries.
56. All portable equipment shall be properly grounded prior to and during use. This includes fueling hoses, portable electrical equipment, etc. Any equipment with damaged wiring and any damaged plugs must be repaired before using or replaced.
57. Air compressors shall not be operated until ALL installed safety devices are in working order. Only safety devices designed for the specific machine shall be used. Substitute devices will not be installed.
58. Oxygen and acetylene bottles shall be properly secured during transportation and while aboard ship. Bottles shall be lashed upright, caps in place when not in use, and threads shall be **SOAPED** if leaks are suspected (never oil or grease threads). Be sure bottles and fittings are protected to prevent oil or grease from contacting valve threads and fittings, which could cause bottles to explode. Whenever oxygen and acetylene are not in use for an extended period of time (one week), they should be stored separately with a firewall between them.
59. Extreme precautions shall be taken when compressed air is used in any operation. Gauges shall be tested periodically. Relief valves must be tested weekly. Pressurized air hoses are not to be directed toward any part of the human body. Whenever a gas/diesel driven air compressor is used for any breathing apparatus, such as an air line respirator, sand blasting helmet, etc., a gas selector alarm and air purifier must be installed. Only approved NIOSH and MSHA respirators are to be used.
60. All compressed air hose connections shall be triced together prior to applying compressed air.
61. All hoses (air, water, and especially oxygen and acetylene) and wires (welding leads, extension cords, etc.) will be disconnected and pulled clear of access doors, port holes, etc. every evening so that access openings may be closed and to prevent leakage of gas, through oxygen and acetylene hoses, into ship. Note: All oxygen and acetylene hoses, connections, gauges, and torch shall be inspected before and after pressure is turned on.
62. When traveling to and from outported RRF working areas or anytime an automobile is used in the performance of a work related duty, seat belts shall be worn.
63. Personnel crossing from Vessel to Vessel shall follow the safe path arrows from crosswalk to crosswalk.

64. On rows containing more than three Vessels moored together shall have an emergency escape pilot's ladder available for deployment. This ladder shall be stowed in a portable box located in the area where ladder can be placed over the side of Vessel when needed on the outboard Vessel(s) not fitted with a gangway.

Response to chemical releases from surrounding facilities: Employees, visitors, contractors must remain aware of surroundings, stay in radio contact, and listen for alarms.

NOTE: In addition to the foregoing safety rules, other instructions (in writing or orally) may be issued as warranted. Failure to comply with these safety rules can result in disciplinary action.

Revised: 11/1/2006

**RESERVE FLEET
SAFTETY RULES**

NOTICE TO VISITORS AND CONTRACT WORKERS:

THE FOLLOWING ARE INCLUDED IN _____ RESERVE FLEET SAFETY RULES. THESE ARE THE MOST COMMONLY VIOLATED RULES, AND VIOLATION OF THESE RULES WILL RESULT IN REMOVAL FROM THE FACILITY.

1. HARD HATS are required for work in and on ships and fleet craft. Work at this facility falls under Shipyard Employment (29 Code of Federal Regulations 1915).
2. STEEL TOED (or composite material) SHOES are required. Exceptions may be made for inspections or tours WHERE NO WORK IS IN PROGRESS, at the discretion of the Fleet Superintendent.
3. SAFETY GLASSES must be worn when in the vicinity of or while performing work that produces dust, particles, or any other hazard to the eyes.
4. LIFE JACKETS/WORK VESTS must be worn and properly fastened while boarding and disembarking from boats, and must be worn while on gangways, while working over water and around unguarded decks. Life jackets/work vests may be left at the top of the gangway until the time of departure from the row of ships.
5. SMOKING IN SHIPS is prohibited. Smoking is allowed outside, and only on the stern of tankers.
6. FIRE/SPILL/FLOOD PREVENTION : A hot work permit is required. A charged fire hose at hand is required while performing hot work, except where CO₂ or dry chemical extinguishers are necessary because of potential for electrical fire. Fire prevention is of utmost importance, especially since the ships' fire fighting equipment is not operable on ships in lay-up. If a Fleet furnished pump becomes inoperable, it is the contractor's responsibility to notify a JRRF supervisor who will have it replaced or repaired. Hot work can not continue until the pump is operable and the hose is charged. Chemical and oil spills, as well as leaking or flooding as a result of work performed, must be immediately contained and reported to the nearest JRRF employee for procedural follow-up.
7. FALL PROTECTION is required while working aloft, including on scaffolds, which must be constructed according to OSHA regulations for scaffolding. A full body harness must be used by each person working aloft.

**SHIP DISPOSAL PROGRAM
TOW PREPARATION RESPONSIBILITY
FOR OBSOLETE SHIPS**

Provide and/or Install as indicated:

1. Schedule Ship movements — Fleet and Contractor (only on Tuesdays, Wednesdays, Thursdays — not weekdays before or after Federal holidays or on published fleet “black-out” days)
2. Sounding of tank liquids — Fleet
3. Tank sounding verification — Contractor
4. Internal tank surveys — Contractor
5. Ballasting for tow and adjust mooring lines while ballasting — Contractor
6. All regulatory and insurance requirements documents — Contractor
7. Contingency response plans and equipment for beyond Fleet boundary — Contractor
8. Towing equipment for the intended tow — Contractor
9. Secure loose items for sea — Contractor
10. Removal of Government equipment/material Fleet
11. Safety, support escorts and power Fleet (un-powered rows may need contractor supplied generators)
12. Shaft and rudder locks — Fleet/Contractor (Fleet provides if locks are readily available and preinstalled, Contractor provides if locks are not readily available)
13. Disconnecting from moorings Fleet
14. Housing anchors — Fleet (anchor availability is not guaranteed – contractor may have to provide the ability to retrieve anchors that are not normally retrievable because of faulty windlasses or provide anchors for anchorless chain secured to a stake; Fleets reserve the right to keep one of two bower anchors with its complement of chain.
15. Fleet crane support — Fleet (Fleet crane availability is not guaranteed; it’s best to state the need in the original schedule; verify the request with a minimum of 24 hours advanced notice)
16. Ten (10) line handlers for departure assistance and re-securing row — Contractor
17. Assist tugs — Contractor (the number and time needed as necessary to open row, remove ship from row to anchorage boundary and close row)

Responsible Parties:

Contractor — is the ship disposal contractor and any of its subcontractors.

Fleet — is the fleet anchorage organization as supported by its region office.

LIST OF ORDNANCE EQUIPMENT

DESCRIPTION OF EQUIPMENT	MANUFACTURER'S NAME	COMPARTMENT LOCATION	QUANTITY IN LOCATION
NONE			

USCG INTERIM CRITERIA FOR CLEANING HULL OF MARAD VESSEL PRIOR TO RELOCATION

USCG Interim Criteria for Cleaning Hulls of MARAD Vessels Prior to Relocation 27 June 2006

A BACKGROUND AND PURPOSE

1. Coast Guard regulations intended to reduce the transport and introduction of non-indigenous organisms via fouling of ships' surfaces are described in 33 CFR 151, Subpart D section 2035 (5) and (6).
2. Maritime Administration (MARAD) vessels that are intended to be disposed of through dismantling, reefing, or deep-sea disposal have often been lain up for considerable periods of time, with little or no hull maintenance or cleaning, which may result in hull fouling.
3. Movement of vessels with heavily fouled hulls between geographic locations constitutes a risk of introducing associated organisms to marine and estuarine habitats in U.S. waters where they do not naturally occur.
4. MARAD is developing a comprehensive programmatic approach, in coordination with the Coast Guard, for minimizing the risks of translocating non-indigenous organisms when vessels must be moved for disposal.
5. While the Programmatic Plan in (1.4) is being prepared, an interim approach to meeting the requirements of 33 CFR 151.2035(5) & (6) is required for uniform and consistent application to all obsolete MARAD vessels moved for disposal.
6. These Criteria are intended to provide such consistent guidance for Coast Guard and MARAD personnel relative to actions taken to bring MARAD vessels into compliance with 33 CFR 151.2035.
7. Actions and criteria may be added or modified over time, as appropriate and necessary.

B. DEFINED ACTIONS

1. Hull Cleaning - the removal of soft, non-calcified biological fouling of the underwater hull, appendages, and openings of vessels by mechanical means using brushes, scrapers and similar tools. The purpose of underwater hull cleaning prior to relocation for disposal is to remove excessive soft biological fouling that has developed over long lay-up periods with little or no regular hull cleaning. The underwater cleaning process, therefore, should remove as much of the accumulated soft biological fouling as possible. However, given the poor condition of the hulls of some of the obsolete MARAD vessels slated for disposal, and the need to prevent the release of paint coating residues, it is recognized that the cleaning operation will not remove all of the "hard" fouling. The hull cleaning process is intended to prevent the removal of hull coatings or scale from the vessels underwater hull and appendages. As an interim measure, it is expected that hull cleaning will be conducted in-water prior to the movement of the vessel.
2. Full Cleaning - the cleaning of the entire underwater hull surface (i.e. painted surfaces), appendages, including propellers and shafts, and openings.
3. Partial Cleaning - only discrete sections of the hull (e.g., forward one-third or forward two-thirds of the hull), appendages (e.g., rudders, sonar dome, fin stabilizers), and systems (e.g.,

masker air, hull openings) are cleaned. Partial cleanings may be conducted because the extent and distribution of fouling before movement of the vessel is not uniformly distributed over the entire hull or access for cleaning of the entire underwater hull is limited due to restrictive water depth or visibility. Under such circumstances, partial cleanings are a viable alternative to cleaning the entire hull and all the underwater components, but must be based on a vessel specific assessment that clearly documents the appropriateness of a partial cleaning.

C. PROCEDURES AND EQUIPMENT

1. In-water cleaning will be conducted by certified professional divers utilizing hand-held or self-propelled rotary brush equipment, water jets, hydrolance equipment, or other similar industry-recognized equipment.
2. Cleaning techniques are to be used that prevent removal and release of paints and other coatings, or damage to the physical integrity of the hull.
3. In-water hull cleaning will be conducted in accordance with all applicable Federal, State and Local regulations and requirements.
4. Pre-cleaning inspections by the divers will document the abundance, extent, and type of fouling. This information will be used to select the appropriate cleaning methods and equipment.
5. Post-cleaning inspections by the divers will document the degree to which the fouling has been removed. At minimum, cleaning will remove all visible soft fouling recognizable as plants or animals. It is recognized that cleaning will not remove hard (calcareous) fouling such as barnacles, mussels, calcareous tube worms, etc. However, selection of the cleaning equipment should be conducted so as to remove as much soft biological fouling as possible, taking into consideration the constraints posed by (3.2).
6. Underwater color still or video photography will be used to document the nature of the fouling present before and after the cleaning. Where water clarity is poor, a clear-water housing will be used to provide a clear image of the hull and associated fouling. Representative images for before and after cleaning conditions will be included in the inspection documentation, for at least the following areas:
 - a. forward, mid and aft 1/3 sections of the vessel length, distributed to include near surface, mid-depth, and keel.
 - b. shaft, skeg, and rudder
 - c. hull penetrations, including areas around sea chests
7. The lead diver or other responsible person associated with the divers will verify by signature that the pre- and post-cleaning inspection reports are accurate. Standard hull inspection data/report forms should be developed/used by MARAD for this purpose.
8. A responsible MARAD party will sign and validate a document certifying that the hull inspection and cleaning activities were carried out.
9. The diving team must maintain a daily log of the inspection and cleaning operations, to include:
 - a. Diver and Company Names
 - b. Cleaning operation dates and hours
 - c. Ship name
 - d. Type of cleaning

- e. Type and quantity of personnel and equipment on scene
- f. Notes on diving conditions, factors affecting the inspection and cleaning activities, and any other appropriate observations.

D. DOCUMENTATION

1. The following documentation will be submitted to the Coast Guard in conjunction with requests for approval of dead ship tow plans:
 - a. Inspection and Cleaning Report, signed by the lead diver and a responsible MARAD representative, to include:
 - a. Pre- (3.4) and post-cleaning (3.5) inspection reports signed by the lead diver
 - b. Concise technical description of cleaning operations performed.
 - c. Copies of Daily Dive Team logs (3.9), signed by the lead diver and a representative of MARAD