

**CONTRACT
BETWEEN THE UNITED STATES OF AMERICA
AND
ESCO MARINE INC.
16200 Joe Garza Sr. Rd
Brownsville, TX 78521**

FOR THE SALE OF THE OBSOLETE VESSEL M/V NEREUS

This CONTRACT ("Contract ") entered into as of June 13, 2012, 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 ESCO MARINE, INC, (herein called the "Buyer"). See ARTICLE XXXVII for the Definitions applicable to this Contract.

INTRODUCTION

1. Authority for Sale of Obsolete Vessel.

Pursuant to the authority of 16 U.S.C. § 5405(c), § 3502 of Public Law 106-398, and 46 U.S.C. § 57102, the Government wishes to sell and the Buyer wishes to purchase, the Obsolete Vessel 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. No Warranty of Size or Description.

The Buyer acknowledges and agrees that the Government does not warrant or guarantee, by expression or implication, the size, tonnage, or other descriptions of the Obsolete Vessel. The Buyer relies solely on its own inspection with respect to the particulars of the Obsolete Vessel.

3. Recycling of the Obsolete Vessel.

The Buyer will enter into this contract for the sole purpose to dismantle the Obsolete Vessel and recycle and remediate all hazardous materials, equipment and components on or attached to the Obsolete Vessel including the superstructure and hull at the recycler's facility.

ARTICLE III. CONTRACTING OFFICER'S TECHNICAL REPRESENTATIVE

1. Contracting Officer's Technical Representative.

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 technical aspects of this contract. The COTR will advise the Buyer on all technical matters relating to the contract. The Buyer shall submit all reports and status updates to the COTR. The Buyer shall submit all contract issues, including but not limited to requests for schedule extensions and changes to the TCP, to both the COTR and the Contracting Officer. Note: While the COTR represents the Contracting Officer on technical matters, the Contracting Officer retains all other authorities under this contract including the exclusive authority to enter into and sign all contract modifications.

2. Environmental Consultants.

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, on a daily basis, as determined by the Government.

ARTICLE IV. TERMS OF THE SALE.

This Sales Contract is subject to the conditions set forth in the Articles herein. The violation of such conditions by the Buyer or its successors and assigns shall be considered a breach by the Contracting Officer and may result in termination, forfeiture of posted bonds, liability for any and all costs associated with the breach or other remedies that the Contracting Officer may seek.

ARTICLE V. PERIOD OF PERFORMANCE

The Contract Period of Performance is **202** calendar days from the undocking date of the vessel at the Shipyard set forth on page 28 of the Contract. All work required under this contract from the undocking date of the vessel at the Shipyard shall be completed within the Contract Performance Period. The Performance Schedules in ARTICLE XV, below, shall not exceed this Contract Period of Performance unless a time extension is authorized by the Contracting Officer under ARTICLE XVII, DELAY.

(L) All reports shall be delivered to the COTR. The Performance Schedule and required reports shall be delivered to the COTR for review and acceptance within (7) days after contract start date. 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.

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

(N) Subcontractor's work/progress. 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 the subcontractor's business address, telephone number and point of contact as well as all work item(s) and scheduled activity(s) numbers and a brief description of the specific work to be accomplished.

(O) Scheduling data files format. All scheduling data files shall be compatible with and readable by MS Project 2007.

ARTICLE XVI. MILESTONES/DELIVERABLES.

1. 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 (Required prior to issuance of NTP)	10 days after Contract Award Date
4. Deliver Cert of Asbestos Abatement Liability	10 days after Contract Award Date
5. Deliver Performance Bond (Required prior to issuance of NTP)	10 days after Contract Award Date, See Article 15
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.	Not later than 5 days after NTP

- | | |
|---|---|
| 10. Deliver Emergency Response Oil Spill Notification POC. | 10 days after Contract Award |
| 11. Deliver Vessel Afloat Monitoring Plan | 10 days after Contract Award, but not later than 3 days prior to the vessel departure from the fleet. |
| 12. Deliver Towers Insurance | Not later than 5 days before vessel departure from the fleet. |
| 13. Deliver Facilities Pollution Insurance | Not later than 3 days before vessel departure from the fleet. |
| 14. Deliver USCG Load Line Exemption and Order for Departure | Prior to departure of the vessel from the fleet. |
| 15. Remove vessel from fleet | TBD by Shipyard |
| 16. Conduct Joint Underwater hull inspection during daylight hours COTR to schedule | 4 hours after completion of underwater hull cleaning |
| 17. Vessel is Undocked and shifted to the Pier | TBD by Shipyard |
| 18. Remove Vessel from Shipyard for tow | NLT than 3-5 days after undocking |
| 19. Deliver tank content verification report /Contractor estimate | 10 days after vessel arrival
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 Buyer's performance schedule |
| 22. Complete Asbestos Abatement | TBD by Buyer's performance schedule |
| 23. Complete all Hazmat Removal/Disposal | TBD by Buyer's performance schedule |
| 24. Begin Vessel Dismantling | TBD by Buyer's performance schedule |
| 25. Remove Last Structural Piece from Slip | TBD by Buyer's performance schedule |
| 26. Complete Vessel Dismantling | TBD by Buyer's performance schedule |
| 27. Complete Material Sales and Recycling | 30 days after removal of the last structural piece from the slip |
| 29. Complete Facility Cleaning and Restoration | 30 days after removal of the last structural piece from the slip |
| 30. Deliver Certificate of Destruction | 30 days after removal of the last structural piece from the slip |
| 31. Deliver Closeout-Report and Final Schedule. | 30 days after removal of the last structural piece from the slip |

ARTICLE XVII. DELAY

1. Excusable Delays Impacting the Performance Schedule.

In the event the Buyer's performance is delayed under this contract and the Contracting Officer makes a determination that such delay arose from conditions beyond the control and without the fault or negligence of the Buyer, then the Contracting Officer may, in writing, extend the performance schedule for a reasonable period of time.

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: Julie P. Agarwal
Secretary
Maritime Administration
(Seal)

By: [Signature]
Director,
Office of Ship of Disposal Programs

ATTEST:

By: ESCO MARINE, INC.

By: [Signature]
(Title) Corp Secretary
(Corporate Seal)

By: [Signature]
(Title) Vice President

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

APPENDIXES

1. A – Biweekly Status Reports
2. B – Biweekly Progress Meeting
3. C – Final Close Out Report

EXHIBITS:

1. Bill of Sale
2. List of Ordinance Equipment