# FORM 10−Q

## U.S. Shipping Partners L.P. − USS

### Filed: November 10, 2005 (period: September 30, 2005)

Quarterly report which provides a continuing view of a company's financial position

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10−Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission file number 001−32326

**U.S. SHIPPING PARTNERS L.P.**
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **20−1447743** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**399 Thornall St., 8th Floor**
**Edison, NJ 08837**
(Address of principal executive offices)
(Zip Code)

**(732) 635−1500**
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b−2 of the Exchange Act). Yes ☐ No ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b−2 of the Exchange Act.): Yes ☐ No ☒

The number of units outstanding of the registrant's common units as of October 31, 2005 was 6,899,968. At that date, 6,899,968 subordinated units were also outstanding.

**U.S. SHIPPING PARTNERS L.P.**
**FORM 10−Q FOR THE QUARTER ENDED SEPTEMBER 30, 2005**
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In this report, unless the context otherwise requires, the terms "we," "us," "our," and "the Partnership" refer to U.S. Shipping Partners L.P., a Delaware limited partnership.

## PART I—FINANCIAL INFORMATION

**ITEM 1.** ***Financial Statements***

**U.S. Shipping Partners L.P.**
**Unaudited Condensed Consolidated Balance Sheets**
**(in thousands)**

| | September 30, 2005 | December 31, 2004 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and equivalents | $ 34,943 | $ 30,258 |
| Accounts receivable, net | 5,264 | 6,979 |
| Prepaid expenses and other current assets | 6,256 | 2,450 |
| Total current assets | 46,463 | 39,687 |
| Vessels and equipment, net | 227,862 | 201,923 |
| Deferred financing costs, net | 3,395 | 3,962 |
| Other assets | 2,581 | 1,733 |
| Total assets | $ 280,301 | $ 247,305 |
| **Liabilities and Partners' Capital** | | |
| Current liabilities | | |
| Current portion of long−term debt | $ 1,850 | $ 1,500 |
| Accounts payable | 4,678 | 2,945 |
| Due to affiliates | 2,617 | 1,430 |
| Deferred revenue | — | 2,325 |
| Accrued expenses and other liabilities | 6,164 | 3,656 |
| Total current liabilities | 15,309 | 11,856 |
| Term loan | 126,650 | 98,125 |
| Advances from Hess | 11,968 | 11,387 |
| Deferred income taxes | 1,554 | 2,944 |
| Other liabilities | — | 207 |
| Total liabilities | 155,481 | 124,519 |
| Commitments and contingencies (Note 8) | | |
| **Partners' Capital** | | |
| Partners' capital | 123,277 | 122,993 |
| Accumulated other comprehensive income (loss) | 1,543 | (207) |
| Total partners' capital | 124,820 | 122,786 |
| Total liabilities and partners' capital | $ 280,301 | $ 247,305 |

The accompanying notes are an integral part of these consolidated financial statements.

**U.S. Shipping Partners L.P.**
**Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income**
**(in thousands, except per unit data)**

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** |
| **Revenues** | $ 32,624 | $ 35,716 | $ 99,439 | $ 89,486 |
| **Operating expenses** | | | | |
| Vessel operating expenses | 12,201 | 13,004 | 34,718 | 33,418 |
| Voyage expenses | 5,284 | 5,475 | 17,898 | 14,595 |
| General and administrative expenses | 2,927 | 1,683 | 7,863 | 5,185 |
| Depreciation and amortization | 6,188 | 6,227 | 18,553 | 17,748 |
| Total operating expenses | 26,600 | 26,389 | 79,032 | 70,946 |
| Operating income | 6,024 | 9,327 | 20,407 | 18,540 |
| Interest expense | 1,957 | 2,919 | 4,641 | 8,048 |
| Loss on debt extinguishment | — | — | — | 3,167 |
| Other income | (311) | (115) | (737) | (222) |
| Income before income taxes | 4,378 | 6,523 | 16,503 | 7,547 |
| (Benefit) provision for income taxes | (97) | 26 | (517) | 69 |
| Net income | 4,475 | 6,497 | 17,020 | 7,478 |
| **Other comprehensive income (loss)** | | | | |
| Fair market value adjustment of derivatives | 1,115 | (1,653) | 1,750 | (255) |
| Comprehensive income | $ 5,590 | $ 4,844 | $ 18,770 | $ 7,223 |
| General partner’s interest in net income | $ 89 | $ — | $ 340 | $ — |
| **Limited partners’ interest in net income** | | | | |
| Net income | $ 4,386 | $ 6,497 | $ 16,680 | $ 7,478 |
| Net income per unit − basic and diluted | $ 0.32 | $ 0.83 | $ 1.21 | $ 0.96 |
| Weighted average units outstanding − basic and diluted | 13,800 | 7,800 | 13,800 | 7,800 |

The accompanying notes are an integral part of these consolidated financial statements.

**U.S. Shipping Partners L.P.**
**Unaudited Condensed Consolidated Statement of Changes in Partners' Capital**
**(in thousands)**

| | Partners' Capital | | | | | | |
|---|---|---|---|---|---|---|---|
| | Limited Partners | | | | | | |
| | Common | | Subordinated | | | | |
| | Units | $ | Units | $ | General Partner | Accumulated Other Comprehensive Income (Loss) | Total |
| **Balance at December 31, 2004** | 6,900 | $ 118,098 | 6,900 | $ 4,703 | $ 192 | $ (207) | $ 122,786 |
| Net income | — | 8,340 | — | 8,340 | 340 | — | 17,020 |
| Fair market value adjustment of derivatives | — | — | — | — | — | 1,750 | 1,750 |
| Cash distributions | — | (8,201) | — | (8,201) | (334) | — | (16,736) |
| **Balance at September 30, 2005** | 6,900 | $ 118,237 | 6,900 | $ 4,842 | $ 198 | $ 1,543 | $ 124,820 |

The accompanying notes are an integral part of these consolidated financial statements.

**U.S. Shipping Partners L.P.**
**Unaudited Condensed Consolidated Statements of Cash Flows**
**(in thousands)**

| | For the Nine Months Ended September 30, 2005 | For the Nine Months Ended September 30, 2004 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income | $ 17,020 | $ 7,478 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Depreciation and amortization, including amortization of deferred financing fees | 19,274 | 18,443 |
| Deferred income taxes | (1,446) | — |
| Drydock payments | (3,025) | — |
| Provision for accounts receivable | 310 | — |
| Loss on debt extinguishment | — | 3,167 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 1,405 | (2,933) |
| Prepaid expenses and other current assets | (3,806) | (1,620) |
| Accounts payable | 1,733 | (1,723) |
| Deferred revenue | (2,325) | — |
| Accrued expenses and other liabilities | 3,751 | 3,928 |
| Net cash provided by operating activities | 32,891 | 26,740 |
| **Cash flows from investing activities** | | |
| Proceeds from sale of vessels and equipment | — | 2,000 |
| Construction/purchase of vessels and equipment | (40,772) | (33,126) |
| Change in restricted cash | — | 502 |
| Advances from Hess | 581 | 2,398 |
| Net cash used in investing activities | (40,191) | (28,226) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of term loan | 30,000 | 202,500 |
| Repayment of debt | (1,125) | (153,125) |
| Member distributions | — | (15,000) |
| Deferred financing costs | (154) | (6,597) |
| Cash distributions | (16,736) | — |
| Net cash provided by financing activities | 11,985 | 27,778 |
| Net increase in cash | 4,685 | 26,292 |
| Cash, beginning of period | 30,258 | 8,565 |
| Cash, end of period | $ 34,943 | $ 34,857 |

The accompanying notes are an integral part of these consolidated financial statements.

## 1. Formation and Nature of Operations

On July 30, 2004, U.S. Shipping Partners L.P. (the "Partnership") was formed to acquire, own and operate the business conducted by United States Shipping Master LLC and its subsidiaries, (collectively, the "Predecessor"), which primarily consisted of the transportation of petroleum products by our integrated tug barge units ("ITBs") and the transportation of specialty refined petroleum and chemical products by our parcel tankers ("Parcel Tankers"). The vessels operate under the regulatory provisions of the Jones Act.

On November 3, 2004, the Predecessor contributed substantially all of the assets and liabilities constituting the business of the Predecessor to the Partnership in connection with the initial public offering of the common units representing limited partner interests in the Partnership (the "common units"). In exchange for these assets and liabilities, the Predecessor received 899,968 common units and 6,899,968 subordinated units representing limited partner interests in the Partnership. The Partnership's general partner received a 2% general partner interest and certain incentive distribution rights in the Partnership. Incentive distribution rights represent the right to receive an increasing percentage of cash distributions after the minimum quarterly distribution, any cumulative arrearages on common units, and certain target distribution levels have been achieved. The Partnership is required to distribute all of its available cash from basic surplus, as defined in the Partnership agreement. The target distribution levels entitle the general partner to receive 15% of quarterly cash distributions in excess of $0.50 per unit until all unitholders have received $0.575 per unit, 25% of quarterly cash distributions in excess of $0.575 per unit until all unitholders have received $0.70 per unit, and 50% of quarterly cash distributions in excess of $0.70 per unit.

The transfer to the Partnership of substantially all of the assets and liabilities constituting the business of the Predecessor represented a reorganization of entities under common control and was recorded at historical cost.

The unaudited condensed consolidated financial statements included in this report for the three and nine−month periods ended September 30, 2004 are for the Predecessor. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring entries) necessary for a fair statement of the financial results of such interim periods. The results of operations for interim periods are not necessarily indicative of the results of operations to be expected for a full year. These financial statements should be read together with the consolidated financial statements and notes thereto included in the Partnership's Annual Report on Form 10−K for the year ended December 31, 2004 (the "Form 10−K"). The December 31, 2004 financial information included in this report has been derived from the audited consolidated financial statements included in the Form 10−K.

## 2. Initial Public Offering

On November 3, 2004, the Partnership completed its initial public offering of 6,899,968 common units (including 899,968 common units sold upon exercise of the underwriters' over−allotment option) at a price of $22.25 per unit. Total gross proceeds from this sale were $153,524. Concurrent with this sale, the Partnership redeemed 899,968 common units held by the Predecessor at a cost of $18,600. After the initial public offering, there were 6,899,968 common units and 6,899,968 subordinated units outstanding. As described in the partnership agreement, during the subordination period the subordinated units are not entitled to receive any distributions until the common units have received their minimum quarterly distribution plus any arrearages from prior quarters. The subordination period will end once the Partnership meets certain financial tests described in the partnership agreement, but generally cannot end before December 31, 2009. When the subordination period ends, all subordinated units will convert into common units on a one−for−one basis and common units will no longer be entitled to arrearages. If the Partnership meets certain financial tests described in the partnership agreement, 25% of the class A subordinated units can convert into common units on or after December 31, 2007 and an additional 25% can convert into common units on or after December 31, 2008. If the Partnership meets certain financial tests described in the partnership agreement, 25% of the class B subordinated units can convert into common units on or after December 31, 2008 and an additional 25% can convert into common units on or after December 31, 2009.

The gross proceeds retained by the Partnership relating to the sale of the common units totaled $153,524. These proceeds were used to repay $93,750 in outstanding term debt, and to pay $10,918 in underwriting and structuring fees, $4,242 in professional fees and other offering expenses, $18,600 to redeem 899,968 units held by United States Shipping Master LLC, and $1,332 in costs to amend and restate the credit facility. The remaining $24,682 was used for working capital purposes.

## 3. Deferred Revenue

Revenue is recognized on a daily basis during the contract period, with expenses recognized as incurred. At December 31, 2004, the Partnership received advance payments of $2,325 for freight revenue from a customer. This deferred revenue was classified as a liability until earned.

The Partnership received no advance payments at September 30, 2005.

## 4. Net Income per Unit

Basic net income per unit is determined by dividing net income, after deducting the amount of net income allocated to the general partner's interest, by the weighted average number of units outstanding during the period. Diluted net income per unit is calculated in the same manner as net income per unit, except that the weighted average number of outstanding units is increased to include the dilutive effect of outstanding unit options or phantom units. There were no options or phantom units outstanding during the three and nine months ended September 30, 2005. For periods prior to November 3, 2004, the weighted average number of units is equal to the common and subordinated units received by the Predecessor in exchange for the net assets contributed to the Partnership, or 7,799,936.

## 5. Vessels and Equipment

Vessels and equipment consist of the following:

| | September 30, 2005 | December 31, 2004 |
|---|---|---|
| Vessels | $ 253,477 | $ 228,171 |
| Capitalized drydock expenditures | 16,168 | 12,448 |
| Construction in progress | 23,264 | 7,929 |
| Office furniture and equipment | 131 | — |
| Total vessels and equipment | 293,040 | 248,548 |
| Less: Accumulated depreciation | 65,178 | 46,625 |
| Total vessels and equipment, net | $ 227,862 | $ 201,923 |

Construction in−progress at September 30, 2005 and December 31, 2004 includes amounts paid for the construction of an articulated tug barge (“ATB”) (Note 8) and capitalized interest of $734 and $72, respectively.

On September 9, 2005, the Partnership acquired the *Gus Darnell*, renamed the *Houston*, a Jones Act coastwise double−hulled product tanker, built in 1985, capable of carrying 240,000 barrels. The purchase price of the vessel, including legal, survey and other acquisition costs, was $25,306. The vessel was drydocked in Singapore at a cost of approximately $3,500, of which $503 was incurred at September 30, 2005, and was placed in service in October 2005.

## 6. Hess Support Agreement

On September 13, 2002, the Predecessor entered into an agreement (the “Support Agreement”) with Hess in which certain daily charter rates were agreed for five years and based upon which support payments would be made by Hess to the Predecessor. Under the terms of the Support Agreement, Hess agreed to pay the Partnership for the amount by which the Partnership’s negotiated third−party contract rates are less than the agreed charter rate. However, in the event that the charter rates the Partnership receives on the ITBs are in excess of the Hess support rate, then the Partnership must pay such excess amounts to Hess until the Partnership has repaid Hess for all prior support payments made by Hess to the Partnership, and then the Partnership must share 50% of any additional excess amount with Hess. The differences resulting from these rates are calculated on a monthly basis. The net amounts received or paid by the Partnership will be considered contingent purchase price until the end of the Support Agreement term (September 2007), at which time the net amount received or paid will be treated as a purchase price adjustment.

From September 13, 2002 to September 30, 2005, the Partnership's third−party contract rates have been less than the agreed charter rates by a cumulative amount of $11,968, which has been classified as Advances from Hess.

**7. Related Party Transactions**

Hess is one of the Partnership's significant customers. Voyage revenues earned from transactions with Hess (which do not include amounts under the Support Agreement) for the three months ended September 30, 2005 and 2004 were $3,205 and $3,217, respectively, and for the nine months ended September 30, 2005 and 2004 were $9,540 and $10,559, respectively. Accounts receivable due under the Support Agreement were $361 and $9 at September 30, 2005 and December 31, 2004, respectively.

On September 12, 2002, the Partnership entered into a three−year agreement with an affiliate of one of the Predecessor's members whereby the affiliate provided certain business advisory and management services, including the assistance with the development of corporate strategy, budgeting and assistance in procuring financing, to the Predecessor for an annual fee of $500. A further agreement was made on May 6, 2003 with the affiliate for similar additional services for an annual fee of $100. For the three and nine months ended September 30, 2004, the Predecessor incurred and paid $132 and $450, respectively, for business advisory and management services. These agreements were terminated concurrent with the closing of the Partnership's initial public offering.

Certain subsidiaries of the Predecessor were not contributed to the Partnership; however, these subsidiaries' expenses are entirely reimbursable by the Partnership as these subsidiaries work exclusively for the Partnership. Amounts reimbursable to these subsidiaries include general and administrative expenses, and wages and benefits for crew members. These amounts were $9,618 and $27,421, respectively, for the three and nine months ended September 30, 2005. Amounts payable to these subsidiaries at the balance sheet date are reflected in the Due to Affiliates account.

On September 23, 2005, the Partnership entered into a new ten−year lease for office space for our New York City office. The Partnership subleases 75% of the leased space to certain companies affiliated with the Chairman and Chief Executive Officer of the Partnership. Terms of the lease are further discussed in Note 8.

**8. Commitments and Contingencies**

In August 2004, the Partnership entered into a contract with Southern New England Shipyard Company ("SENESCO") to build a 19,999 dwt articulated tug barge ("ATB") for the Partnership at a fixed price of $45,400 to be delivered in early 2006. The Agreement also provided for options to build up to three additional ATB's. SENESCO has indicated that they are not able to complete the first ATB on the contract terms due to infrastructure problems and production line issues, and that the completion of the barge will be delayed. The Partnership has entered into a revised agreement with SENESCO regarding completion of the ATB at another facility which SENESCO will operate. The total cost of completion of the ATB pursuant to the revised agreement will be approximately $53,000 with a contracted delivery date of December 2006. The revised agreement provides for substantial penalties for late delivery of the ATB. Although there is risk that the cost of the ATB could be higher and that the ATB may not be completed in a timely manner, which could have a material adverse effect on the Partnership's results of operations, the Partnership does not presently expect the repricing of the SENESCO ATB to have a material adverse effect on the Partnership's results of operations or financial condition. The Partnership and SENESCO have mutually agreed to cancel the options to have SENESCO build up to three additional ATBs at a fixed price. While the Partnership believes that it can contract with other shipyards to deliver additional ATBs, no assurance can be given that the Partnership will be successful contracting with other shipyards to build additional ATBs on terms acceptable to the Partnership.

During the second quarter 2005, the Partnership made payments of $1,000 to secure a shipyard slot for construction of the second ATB. These payments are currently classified as a receivable from the shipyard, which will be applied to the additional costs associated with the first ATB. The Partnership also made payments toward the first ATB of $15,335 and $7,929 during the nine months ended September 30, 2005 and year ended December 31, 2004, respectively.

In June 2005, the Partnership entered into a contract for the construction of engines for an ATB. The contract price for the engines, which are expected to be delivered in 2006, is $4,000. At September 30, 2005, the Partnership has paid $202 toward the purchase of these engines.

During July 2005, the ITB *Mobile* was offhire for a period of 2.4 days due to a grounding incident. As a result, a claim of $1,538 was filed with our insurance carrier. At September 30, 2005, a liability associated with this claim of $1,281 and a corresponding receivable from the insurance carrier of $881 was recorded in the Partnership's balance sheet.

On September 23, 2005, the Partnership entered into a ten−year lease for office space to accommodate our New York office, commencing on January 1, 2006. The Partnership, as the lessee, subleases 75% of the leased space to certain companies affiliated with the Chairman and Chief Executive Officer of the Partnership. The total obligation of the lease over the ten−year period is $4,150, however, the Partnership is entitled to sublease income of $3,112 from the affiliated companies. Average annual rental expense, net of sublease income of $311, to the Partnership is $104. The lease provides for additional payments of real estate taxes, insurance and other operating expenses applicable to the property. Total rental expense excludes such additional expense payments as part of the minimum rentals.

## 9. Financing

On September 9, 2005, the Partnership borrowed an additional $30,000 on its existing credit facility to finance the purchase and drydock of the *Houston*. The loan matures on April 30, 2010, bears interest at LIBOR plus 2.00%, and is amortized, on a pro−rated basis, in accordance with the existing debt repayment schedule. In connection with this borrowing, the Partnership incurred and capitalized $154 of bank fees.

The existing facility provides for a revolving credit facility up to $50,000, with a letter of credit sub−facility of $10,000. The Partnership has the option to increase, up to an additional amount not to exceed $60,000, the amount available under the credit agreement through increases in the term facility, revolving credit facility, or both, which option expires November 2, 2006. Exercise of this option is at the mutual discretion of the lending institution and the Partnership, and is contingent upon, among other things:

- no event of default having occurred and continuing; and
- the proceeds being used to construct or acquire new vessels.

On October 24, 2005, the Partnership amended its Second Amended and Restated Credit Agreement principally to allow for additional payments, not to exceed $7,500, to be made by the Partnership to the shipyard for construction of the ATB.

The Partnership elected not to extend the delayed draw term loan of $30,000, which expired on November 2, 2005.

**10. Subsequent Events**

On November 2, 2005, the Board of Directors of the general partner declared and the Partnership announced its regular cash distribution for the third quarter of 2005 of $0.45 per unit. The distribution will be paid on all common, subordinated and general partner units on November 15, 2005 to all unitholders of record on November 9, 2005. The aggregate amount of the distribution will be $6,337.

On November 2, 2005, the Partnership entered into a memorandum of agreement to purchase the *Sea Venture*, a 19,000 dwt double−bottomed chemical/product tanker. This vessel was re−built in 1983 and is capable of carrying twenty different grades of product in independent cargo tanks. The Partnership expects to close the purchase of the *Sea Venture* in late November 2005 and immediately drydock the vessel to bring it up to high operating standards. The Partnership estimates that the total cost to purchase and drydock the vessel will be approximately $12,000. The vessel is expected to join the Partnership's fleet in April 2006. The Partnership feels that the *Sea Venture* will provide valuable flexibility to its current and future customer base. With the addition of the *Sea Venture* to its fleet, the Partnership will own three of the five Jones Act parcel tankers with twenty independent tank segregations and will further reinforce its position as the leading U.S. Jones Act owner of chemical−capable specialized tankers.

**ITEM 2.** ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

**Overview**

We are a leading provider of long−haul marine transportation services, principally for refined petroleum products, in the U.S. domestic "coastwise" trade. We are also involved, to a limited extent, in the coastwise transportation of petrochemical and commodity chemical products. Our fleet consists of nine tank vessels: six integrated tug barge units, or ITBs and three product tankers. Our primary customers are major oil and chemical companies. A significant portion of our fleet capacity is currently committed to these companies pursuant to contracts with initial terms of one year or more, which provide us with a relatively predictable level of cash flow. We do not assume ownership of any of the products that we transport on our vessels.

Our market is largely insulated from direct foreign competition because the Merchant Marine Act of 1920, commonly referred to as the Jones Act, restricts U.S. point−to−point maritime shipping to vessels operating under the U.S. flag, built in the United States, at least 75% owned and operated by U.S. citizens and manned by U.S. crews. All of our vessels are qualified to transport cargo between U.S. ports under the Jones Act.

As a result of the Hurricanes Katrina and Rita, a short−term waiver, which expired on October 24, 2005, was granted by the U.S. Department of Homeland Security, lifting the Jones Act restriction on foreign−flag carriers, allowing these carriers to replace transporting needs arising from out−of−service pipelines. Operationally, we were not materially impacted by this waiver as all of our available ITBs were covered by either long−term time charters or contracts of affreightment. Our chemical vessels experienced slight erosion of time charter equivalent rates due to weather delays caused by the hurricanes.

We generate revenue by charging customers for the transportation and distribution of their products utilizing our vessels. These services are generally provided under the following four basic types of contractual relationships:

- time charters, which are contracts to charter a vessel for a fixed period of time, generally one year or more, at a set daily rate;
- contracts of affreightment, which are contracts to provide transportation services for products over a specific trade route, generally for one or more years, at a negotiated rate per ton;
- consecutive voyage charters, which are charters for a specified period of time at a negotiated rate per ton; and
- spot charters, which are charters for shorter intervals, usually a single round−trip, that are made on either a current market rate or lump sum contractual basis.

The principal difference between contracts of affreightment and consecutive voyage charters is that in contracts of affreightment the customer is obligated to transport a specified minimum amount of product on our vessel during the contract period, while in a consecutive voyage charter the customer is obligated to fill the contracted portion of the vessel with its product every time the vessel calls at its facility during the contract period and, if the customer does not have product ready to ship, it must pay us for idle time.

The table below illustrates the primary distinctions among these types of contracts:

| | **Time Charter** | **Contract of Affreightment** | **Consecutive Voyage Charter** | **Spot Charter** |
|---|---|---|---|---|
| Typical contract length | One year or more | One year or more | One year or more | Single voyage |
| Rate basis | Daily | Per ton | Per ton | Varies |
| Voyage expenses | Customer pays | We pay | We pay | We pay |
| Vessel operating expenses | We pay | We pay | We pay | We pay |
| Idle time | Customer pays as long as vessel is available for operations | Customer does not pay | Customer pays if cargo not ready | Customer does not pay |

For the three months ended September 30, 2005 and 2004, we derived approximately 86% and 84%, respectively, of our revenue under time charters, consecutive voyage charters and contracts of affreightment. For the nine months ended September 30, 2005 and 2004, we derived approximately 90% and 81%, respectively, of our revenue under time charters, consecutive voyage charters and contracts of affreightment. The balance of our revenue was derived from spot charters.

The amounts received from or paid to Hess pursuant to the Hess support agreement are not recognized as revenue or expense but are deferred for accounting purposes and will be reflected as an adjustment to the purchase price relating to the acquisition of the ITBs.

On July 30, 2004, U.S. Shipping Partners L.P. (the “Partnership”) was formed to own and operate the petroleum, refined petroleum, and chemical product marine transportation, distribution and logistics business conducted by United States Shipping Master LLC and its subsidiaries (the “Predecessor”). On November 3, 2004, United States Shipping Master LLC contributed substantially all of its assets and liabilities to the Partnership in connection with the initial public offering of common units representing limited partner interests in the Partnership (the “common units”). In exchange for these assets and liabilities, United States Shipping Master LLC received 899,968 common units and 6,899,968 subordinated units representing limited partner interests in the Partnership.

On November 3, 2004, the Partnership completed its initial public offering of 6,899,968 common units (including 899,968 common units sold upon exercise of the underwriters' over−allotment option) at a price of $22.25 per unit. Total gross proceeds from this sale were $153.5 million, before underwriting and structuring fees of $10.9 million, and offering costs of approximately $4.2 million. The Partnership used proceeds to repay $93.8 million in outstanding term debt, provide $24.7 million of working capital, pay $1.3 million of costs associated with amending and restating our credit facility, and redeem the 899,968 common units held by United States Shipping Master LLC for $18.6 million.

At the closing of the initial public offering, the Partnership entered into a second amended and restated credit agreement with several banks which provides for $130.0 million of term loans and the ability to borrow up to an additional $90.0 million of term loans under certain circumstances.

On September 9, 2005, the Partnership borrowed an additional $30.0 million on its existing credit facility to finance the purchase and drydock of the *Houston*. The loan matures on April 30, 2010, bears interest at LIBOR plus 2.00%, and is amortized, on a pro−rated basis, in accordance with the existing debt repayment schedule. In connection with this borrowing, the Partnership capitalized $0.2 million of bank fees.

The existing facility provided for a revolving credit facility up to $50.0 million, with a letter of credit sub−facility of $10.0 million. The Partnership has the option to increase, up to an additional amount not to exceed $60.0 million, the amount available under the credit agreement through increases in the term facility, revolving credit facility, or both, which option expires November 2, 2006. Exercise of this option is at the mutual discretion of the lending institution and the Partnership, and is contingent upon, among other things:

- no event of default having occurred and continuing; and
- the proceeds being used to construct or acquire new vessels.

On October 24, 2005, the Partnership amended its Second Amended and Restated Credit Agreement principally to allow for additional payments, not to exceed $7.5 million, to be made by the Partnership to the shipyard for construction of the ATB.

The Partnership elected not to extend the delayed draw term loan of $30.0 million, which expired on November 2, 2005.

**Definitions**

In order to understand our discussion of our results of operations, it is important to understand the meaning of the following terms used in our analysis and the factors that influence our results of operations:

- *Voyage revenue*. Voyage revenue includes revenue from time charters, contracts of affreightment, consecutive voyage charters and spot charters. Voyage revenue is impacted by changes in charter and utilization rates and by the mix of business among the types of contracts described in the preceding sentence.

- *Voyage expenses*. Voyage expenses include items such as fuel, port charges, pilot fees, tank cleaning costs, canal tolls and other costs which are unique to a particular voyage. These costs can vary significantly depending on the voyage trade route. Depending on the form of contract, either we or our customer is responsible for these expenses. If we pay voyage expenses, they are included in our results of operations when they are incurred. Typically, our freight rates are higher when we pay voyage expenses. Our contracts of affreightment and consecutive voyage charters generally contain escalation clauses whereby certain cost increases, including labor and fuel, can be passed on to our customers.

- *Net voyage revenue*. Net voyage revenue is equal to voyage revenue less voyage expenses. As explained above, the amount of voyage expenses we incur for a particular voyage depends upon the form of the contract. Therefore, in comparing revenues between reporting periods, we use net voyage revenue to improve the comparability of reported revenues that are generated by the different forms of contracts.

- *Vessel operating expenses*. We pay the vessel operating expenses regardless of whether we are operating under a time charter, contract of affreightment, consecutive voyage charter or spot charter. The most significant direct vessel operating expenses are crewing costs, vessel maintenance and repairs, fuel and lube oils and marine insurance.

- *Depreciation and amortization*. We incur fixed charges related to the depreciation of the historical cost of our fleet and the amortization of expenditures for drydockings. The aggregate number of drydockings undertaken in a given period and the nature of the work performed determine the level of drydocking expenditures.

- *General and administrative expenses*. General and administrative expenses consist of employment costs for shoreside staff and cost of facilities, as well as legal, audit and other administrative costs.

- *Total vessel days*. Total vessel days are equal to the number of calendar days in the period multiplied by the total number of vessels operating or in drydock during that period.

- *Days worked.* Days worked are equal to total vessel days less drydocking days and days off−hire.

- *Drydocking days*. Drydocking days are days designated for the inspection and survey of vessels, and resulting maintenance work, as required by the U.S. Coast Guard and the American Bureau of Shipping to maintain the vessels' qualification to work in the U.S. coastwise trade. Both domestic (U.S. Coast Guard) and international (International Maritime Organization) regulatory bodies require that our ITBs be drydocked for inspection, major repair and maintenance every five years, with a mid−period underwater survey in lieu of drydocking, and our parcel tankers be drydocked twice every five years. Drydocking days also include unscheduled instances where vessels may have to be drydocked in the event of accidents or other unforeseen damage.

- *Net utilization*. Net utilization is a primary measure of operating performance in our business. Net utilization is a percentage equal to the total number of days worked by a vessel or group of vessels during a defined period, divided by total vessel days for that vessel or group of vessels. Net utilization is adversely impacted by drydocking, scheduled and unscheduled maintenance and idle time not paid for by the customer.

- *Time charter equivalent*. Time charter equivalent, another key measure of our operating performance, is equal to the net voyage revenue earned by a vessel during a defined period, divided by the total number of actual days worked by that vessel during that period. Fluctuations in time charter equivalent result not only from changes in charter rates charged to our customers, but from external factors such as weather or other delays.

**Results of Operations**

The following table summarizes our results of operations (dollars in thousands, except for daily rates):

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** |
| Voyage revenue | $ 32,624 | $ 35,716 | $ 99,439 | $ 89,486 |
| Vessel operating expenses | 12,201 | 13,004 | 34,718 | 33,418 |
| % of voyage revenue | 37.4% | 36.4% | 34.9% | 37.3% |
| Voyage expenses | 5,284 | 5,475 | 17,898 | 14,595 |
| % of voyage revenue | 16.2% | 15.3% | 18.0% | 16.3% |
| General and administrative expenses | 2,927 | 1,683 | 7,863 | 5,185 |
| % of voyage revenue | 9.0% | 4.7% | 7.9% | 5.8% |
| Depreciation and amortization | 6,188 | 6,227 | 18,553 | 17,748 |
| Operating income | 6,024 | 9,327 | 20,407 | 18,540 |
| % of voyage revenue | 18.5% | 26.1% | 20.5% | 20.7% |
| Interest expense | 1,957 | 2,919 | 4,641 | 8,048 |
| Loss on debt extinguishment | — | — | — | 3,167 |
| Other income | (311) | (115) | (737) | (222) |
| Income before provision for income taxes | 4,378 | 6,523 | 16,503 | 7,547 |
| (Benefit) provision for income taxes | (97) | 26 | (517) | 69 |
| Net income | $ 4,475 | $ 6,497 | $ 17,020 | $ 7,478 |

| | | | | |
|---|---|---|---|---|
| Total vessel days | 736 | 736 | 2,184 | 2,074 |
| Days worked | 719 | 731 | 2,159 | 2,042 |
| Drydocking days | 12 | — | 12 | — |
| Net utilization | 97.8% | 99.3% | 98.9% | 98.4% |
| Average daily time charter equivalent rate *(1)* | $ 38,002 | $ 38,880 | $ 37,767 | $ 35,784 |

*(1)* Time charter equivalent rates for 2004 do not include charter in revenue for comparative purposes.

**U.S. Shipping Partners L.P.**
**Unaudited Other Financial Data**
**(in thousands)**

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Voyage revenues | $ 32,624 | $ 35,716 | $ 99,439 | $ 89,486 |
| Voyage expenses | 5,284 | 5,475 | 17,898 | 14,595 |
| Net voyage revenue (1) | $ 27,340 | $ 30,241 | $ 81,541 | $ 74,891 |

(1) Net voyage revenue is equal to voyage revenue less voyage expenses. Net voyage revenue is a non−GAAP financial measure that we use in our business when comparing performance in different periods. Net voyage revenue is not calculated or presented in accordance with generally accepted accounting principles, or GAAP.

***Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004***

*Voyage Revenue.* Voyage revenue was $32.6 million for the three months ended September 30, 2005, a decrease of $3.1 million, or 9%, as compared to voyage revenue of $35.7 million for the three months ended September 30, 2004. The decrease is attributable to a reduction in revenue from a chartered−in vessel, lower utilization rates coupled with a slight reduction in time charter equivalent rates. During the third quarter 2004, we time chartered a vessel, which contributed $2.4 million of voyage revenue, to fulfill our obligations under contracts of affreightment. Utilization decreased from 99.3% for the quarter ended September 30, 2004 to 97.8% for the quarter ended September 30, 2005 due to a twelve day reduction in days worked as a result of the commencement of the *New York* drydock. A reduction in time charter equivalent rates of 2% was primarily a result of weather delays arising from hurricanes. Net voyage revenue was $27.3 million for the three months ended September 30, 2005, a decrease of $2.9 million, or 10%, as compared to the three months ended September 30, 2004.

*Vessel Operating Expenses.* Vessel operating expenses were $12.2 million for the three months ended September 30, 2005, a decrease of $0.8 million, or 6%, as compared to $13.0 million for the three months ended September 30, 2004. During the three months ended September 30, 2004, we chartered in a vessel, which contributed $2.1 million of vessel expenses, to fulfill our obligations under contracts of affreightment. This decrease is partially offset by increases in crew costs due to union contracted wage increases of $0.4 million, consumable supplies of $0.3 million, insurance expense of $0.3 million and other operating expenses of $0.2 million.

*Voyage Expenses.* Voyage expenses were $5.3 million for the three months ended September 30, 2005, a decrease of $0.2 million, or 4%, as compared to voyage expenses of $5.5 million for the three months ended September 30, 2004. The decrease is due to the operation of one less vessel during the period ended September 30, 2004, coupled with one additional vessel on time charter, partially offset by increases in bunker, or fuel, charges. During the three months ended September 30, 2004, we chartered in a vessel, which contributed $0.6 million of voyage expenses, to fulfill our obligations under contracts of affreightment. Excluding the voyage expenses associated with the chartered−in vessel, port charges decreased $0.3 million as a result of trading one less vessel in the spot market. These decreases were partially offset by an increase in fuel expense of $0.8 million due to rising fuel costs.

*General and Administrative Expenses.* General and administrative expenses were $2.9 million for the three months ended September 30, 2005 compared to $1.7 million during the three months ended September 30, 2004, an increase of $1.2 million, or 74%. The increase is attributable to increased costs associated with being a public entity as well as additional expenses incurred to accommodate the growth of our business.

*Depreciation and Amortization*. Depreciation and amortization was $6.2 million for the three months ended September 30, 2005 and 2004. The *Charleston*, which we acquired on April 28, 2004, was in service for the entire third quarter of both years. The acquisition of the *Houston* in September 2005 did not result in additional depreciation during the third quarter as the vessel was immediately placed in drydock. The *Houston* was placed in service in October 2005.

*Interest Expense.* Interest expense was $2.0 million for the three months ended September 30, 2005, a decrease of $1.0 million, or 33%, as compared to $2.9 million for the three months ended September 30, 2004 due to lower outstanding loan balances in 2005. Concurrent with our initial public offering on November 3, 2004, we repaid $93.8 million of debt, resulting in a debt balance of $100.0 million. Our average debt outstanding during the third quarter 2005 was $105.6 million as compared to $198.1 million during the third quarter 2004. In the third quarter we recorded approximately $0.5 million of additional interest expense for amortization of deferred financing costs. The additional expense resulted from an adjustment to the estimated cumulative amortization of deferred financing costs recorded in prior periods, based principally on utilizing the effective interest method.

*(Benefit) Provision for Income Taxes.* The provision for income taxes represents federal and state income taxes for our subsidiary that is a corporation subject to federal and state income taxes, as well as state income taxes for those states that tax our limited liability company subsidiaries as corporations. We recognized a tax benefit for the three months ended September 30, 2005, principally as a result of the operating loss incurred by our corporate subsidiary.

*Net Income.* Net income was $4.5 million for the three months ended September 30, 2005, a decrease of $2.0 million, or 31%, as compared to $6.5 million for the three months ended September 30, 2004. Increases in general and administrative expenses coupled with a reduction of revenue were partially offset by decreases in vessel operating expenses and interest expense.

***Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004***

*Voyage Revenue.* Voyage revenue was $99.4 million for the nine months ended September 30, 2005, an increase of $10.0 million, or 11%, as compared to voyage revenue of $89.5 million for the nine months ended September 30, 2004. The *Charleston*, which we placed in service on April 28, 2004, accounted for $8.5 million of the increase in voyage revenue. The remaining increase is attributable to a 4% increase, in average time charter equivalent rates, or $2.8 million, increased fuel expense of $1.5 million, which is rebilled through fuel surcharges, partially offset by a decrease in revenue from a chartered−in vessel of $2.4 million and a decrease in other rebillable voyage expenses of $0.4 million. Net voyage revenue was $81.5 million for the nine months ended September 30, 2005, an increase of $6.7 million, or 9%, as compared to the nine months ended September 30, 2004.

*Vessel Operating Expenses.* Vessel operating expenses were $34.7 million for the nine months ended September 30, 2005, an increase of $1.3 million, or 4%, as compared to $33.4 million for the nine months ended September 30, 2004. The *Charleston* contributed $2.3 million of increased vessel operating expenses in the nine months ended September 30, 2005. This increase was offset by the reduction in charter hire expense of $2.1 million. During the nine months ended September 30, 2004, we chartered in a vessel, which contributed $2.1 million of vessel operating expenses, to fulfill our obligations under contracts of affreightment. The remaining fleet increase is primarily attributable to union contracted wage and benefit increases of $0.8 million and additional insurance expense of $0.3 million.

*Voyage Expenses.* Voyage expenses were $17.9 million for the nine months ended September 30, 2005, an increase of $3.3 million, or 23%, as compared to voyage expenses of $14.6 million for the nine months ended September 30, 2004. During the nine months ended September 30, 2005, the *Charleston* contributed $2.3 million of the increase in voyage expenses. This increase was partially offset by the reduction in voyage expenses related to a chartered−in vessel of $0.6 million. The remaining increase is attributable to $1.9 million in increased fuel costs partially offset by decreases of $0.2 million in port charges and $0.1 million in brokerage commission.

*General and Administrative Expenses.* General and administrative expenses were $7.9 million for the nine months ended September 30, 2005, an increase of $2.7 million, or 52%, compared to $5.2 million for the nine months ended September 30, 2004. The increase is primarily attributable to increased costs associated with being a public entity coupled with additional expenses necessary to accommodate the growth of our business, including our acquisition of the *Charleston*.

*Depreciation and Amortization.* Depreciation and amortization was $18.6 million for the nine months ended September 30, 2005, an increase of $0.8 million, or 5%, as compared to $17.7 million for the nine months ended September 30, 2004. This increase is primarily due to the depreciation of the *Charleston*, which we placed in service on April 28, 2004.

*Interest Expense.* Interest expense was $4.6 million for the nine months ended September 30, 2005, a decrease of $3.4 million, or 42%, as compared to $8.0 million for the nine months ended September 30, 2004 due to lower outstanding loan balances in 2005. Concurrent with our initial public offering on November 3, 2004, we repaid $93.8 million of debt, resulting in a debt balance of $100.0 million. At September 30, 2005, our debt outstanding was $128.5 million compared to $193.8 million at September 30, 2004.

*Loss on Debt Extinguishment.* In April 2004, we amended and restated our then existing credit facility and used the proceeds to repay higher interest rate debt. The $3.2 million loss on debt extinguishment represents the expensing of certain transaction fees associated with the debt that was repaid as well as certain other costs incurred in the transaction.

*(Benefit) Provision for Income Taxes.* The provision for income taxes represents federal and state income taxes for our subsidiary that is a corporation subject to federal and state income taxes, as well as state income taxes for those states that tax our limited liability company subsidiaries as corporations. We recognized a tax benefit for the nine months ended September 30, 2005 principally as a result of the operating loss incurred by our corporate subsidiary.

*Net Income.* Net income was $17.0 million for the nine months ended September 30, 2005, an increase of $9.5 million, or 128%, as compared to $7.5 million for the nine months ended September 30, 2004. This increase is primarily the result of increased operating income of $1.9 million, a $3.4 million decrease in interest expense, a $0.6 million increase in the benefit for income taxes, and $0.5 million of additional other income, which is principally interest income. Additionally, the amendment of our credit facility in 2004 contributed $3.2 million of expense during the nine months ended September 30, 2004.

**Liquidity and Capital Resources**

***Operating Cash Flows***

Net cash provided by operating activities was $32.9 million for the nine months ended September 30, 2005, an increase of $6.2 million, compared to $26.7 million for the nine months ended September 30, 2004. The increase is primarily the result of a $1.9 million increase in operating income, a $3.4 million favorable working capital fluctuation, a $3.4 million decrease in interest expense due to reduced debt levels, a $0.5 million increase in other income, partially offset by an increase in drydocking expenditures of $3.0 million.

***Investing Cash Flows***

Net cash used in investing activities totaled $40.2 million for the nine months ended September 30, 2005 and $28.2 million for the nine months ended September 30, 2004. During the 2005 period, we purchased the *Houston* for $25.3 million, made $15.3 million in progress payments for the construction of the ATB, and purchased $0.1 million in computer equipment. In January 2004, we sold the *Stolt Spirit* as scrap for $2.0 million and purchased the *Charleston* and equipment for $33.1 million.

The amounts received from or paid to Hess pursuant to the Hess support agreement are not recognized as revenue or expense but are deferred for accounting purposes and will be reflected as an adjustment to the purchase price relating to the acquisition of the ITBs from Hess at the end of the Hess support agreement in September 2007. Pending such adjustment, they are included in cash flows from investing activities as advances from (payments to) Hess. If the rate for an ITB exceeds the support rate set forth in the support agreement, we must pay the excess to Hess as reimbursement for any payments made to us by Hess under the support agreement and, once Hess has been fully reimbursed for all payments made under the support agreement, we must pay Hess 50% of any remaining excess. Payments from Hess to us under the support agreement were $0.6 million and $2.4 million for the nine months ended September 30, 2005 and 2004, respectively. For the nine months ended September 30, 2005 and 2004, five ITBs were covered. One ITB is under contract with Hess at a charter rate less than the support rate; this vessel will be covered by the support agreement upon any termination of that contract.

***Financing Cash Flows***

Net cash provided by financing activities was $12.0 million for the nine months ending September 30, 2005. Net cash provided by financing activities was $27.8 million for the nine months ending September 30, 2004. In September 2005, we drew $30.0 million from our existing credit facility to finance the purchase and drydocking of the *Houston*. We incurred $0.2 million of financing fees associated with this transaction. During 2005, we made scheduled debt repayments of $1.1 million and paid $16.7 million of distributions to partners as described in "Payments of Distributions" below. In April 2004, we obtained $202.5 million of new financing from our amended and restated credit facility and used it to finance the $33.1 million purchase of the *Charleston* and equipment, refinance $108.2 million of term loans, repay $29.0 million of subordinated debt, distribute $15.0 million to the members of United States Shipping Master LLC, pay a $0.4 million bonus to our management, provide $10.1 million of working capital and pay $6.8 million of transaction fees. For the nine months ending September 30, 2004, we repaid $15.9 million of debt.

***Payments of Distributions***

On February 2, 2005, the board of directors of US Shipping General Partner LLC (the "Board") declared a quarterly distribution to unitholders of $0.2885 per unit in respect of the quarter ended December 31, 2004, which was paid on February 14, 2005 to unitholders of record on February 9, 2005. On May 2, 2005, the Board declared a quarterly distribution to unitholders of $0.45 per unit in respect of the quarter ended March 31, 2005, which was paid on May 16, 2005 to unitholders of record on May 9, 2005. On July 28, 2005, the Board declared a quarterly distribution of $0.45 per unit in respect of the quarter ended June 30, 2005, payable on August 15, 2005, to unitholders of record on August 9, 2005. On November 2, 2005, the Board declared a quarterly distribution to unitholders of $0.45 per unit in respect of the quarter ended September 30, 2005, payable on November 15, 2005 to unitholders of record on November 9, 2005.

*Ongoing Capital Expenditures*

Marine transportation of refined petroleum, petrochemical and commodity chemical products is a capital intensive business, requiring significant investment to maintain an efficient fleet and to stay in regulatory compliance. Both domestic (U.S. Coast Guard) and international (International Maritime Organization) regulatory bodies require that our ITBs be drydocked for inspections, major repairs and maintenance every five years and that we conduct a mid−period underwater survey in lieu of drydocking, and that our parcel tankers be drydocked twice every five years. In addition, vessels may have to be drydocked in the event of accidents or other unforeseen damage. Periodically, we also make expenditures to acquire or construct additional tank vessel capacity and/or to upgrade our overall fleet efficiency.

In September 2005, we placed two vessels, the newly purchased *Houston* and the ITB *New York*, in drydock. The *Houston* drydock was completed on October 13, 2005 at an estimated cost of $3.5 million. The ITB *New York* drydock is ongoing and is expected to be completed in mid−November 2005 at an estimated cost of $6.0 million. The *Jacksonville* was placed into drydock in early−November 2005. During 2006, the parcel tankers, *Charleston* and *Chemical Pioneer*, and the ITBs *Groton* and *Mobile* will be placed in drydock. The *Baltimore* and *Philadelphia* are scheduled for drydock in 2007. For future drydockings, we estimate that drydocking the ITBs will cost approximately $6.0 million per vessel, the parcel tanker drydocks will cost approximately $4.0 million per vessel, and the *Houston* drydock will cost approximately $3.0 million. The ITBs are required to be drydocked once per five−year cycle while the parcel tankers and *Houston* are required to be drydocked twice per five−year cycle. When drydocked, each of our ITBs will be out of service for approximately 45 to 55 days and each parcel tanker and the *Houston* will be out of service for approximately 35 to 50 days. At the time we drydock these vessels, the actual cost of drydocking may be higher due to inflation and other factors. In addition, vessels in drydock will not generate any income, which will reduce our revenue and cash available for distribution

Our partnership agreement requires our general partner to deduct from basic surplus each quarter estimated maintenance capital expenditures as opposed to actual maintenance capital expenditures in order to reduce disparities in basic surplus caused by fluctuating maintenance capital expenditures, such as retrofitting or drydocking. Because of the substantial capital expenditures we are required to make to maintain our fleet, our current annual estimated maintenance capital expenditures for purposes of calculating basic surplus is $17.2 million, which includes our current estimate of the capital required to bring our ITBs into compliance with the Oil Pollution Act of 1990 (“OPA 90”) by retrofitting our six ITBs with double−sides. In the fourth quarter 2005, the Board will consider whether to increase the $17.2 million reserve for both maintenance and replacement capital expenditures. The amount of estimated maintenance capital expenditures deducted from basic surplus is subject to review and change by the board of directors of our general partner at least once a year, with any change approved by the conflicts committee. We may elect to construct new double−hulled forebodies for some of our ITBs rather than retrofitting them with double−sides. We estimate that the cost of these new forebodies will be substantially higher than the cost of retrofitting. The cost of retrofitting the ITBs compared to the cost of new forebodies, market conditions, charter rates and the availability and cost of financing will be major factors in our determination of whether to retrofit the ITBs or construct new forebodies. If and when we conclude that our plan should be to construct new forebodies, the board of directors of our general partner, with the approval of our conflicts committee, will determine what portion, if any, of the incremental cost of constructing new forebodies represents a maintenance capital expenditure. Depending on this determination, the board could elect to increase significantly the annual amount of our estimated capital expenditures. In years when estimated maintenance capital expenditures are higher than actual maintenance capital expenditures, the amount of cash available for distribution to unitholders will be lower than if actual maintenance capital expenditures were deducted from basic surplus.

The following table summarizes total maintenance capital expenditures, consisting of advanced payments of drydocking expenditures, and expansion capital expenditures for the periods presented (in thousands):

| | Nine months ended September 30, | |
|---|---|---|
| | **2005** | **2004** |
| Maintenance capital expenditures | $ 3,025 | $ — |
| Expansion capital expenditures | 40,722 | 33,126 |
| Total capital expenditures | $ 43,747 | $ 33,126 |

In August 2004, the Partnership entered into a contract with Southern New England Shipyard Company (“SENESCO”) to build a 19,999 dwt articulated tug barge (“ATB”) for the Partnership at a fixed price of $45.4 million to be delivered in early 2006. The Agreement also provided for options to build up to an additional three ATB’s. SENESCO has indicated that they are not able to complete the first ATB on the contract terms due to infrastructure problems and production line issues, and that the completion of the barge will be delayed. The Partnership has entered into a revised agreement with SENESCO regarding completion of the ATB at another facility which SENESCO will operate. The total cost of completion of the ATB pursuant to the revised agreement will be approximately $53.0 million with a contracted delivery date of December 2006. The revised agreement provides for substantial penalties for late delivery of the ATB. Although there is risk that the cost of the ATB could be higher and that the ATB may not be completed in a timely manner, which could have a material adverse effect on the Partnership’s results of operations, the Partnership does not presently expect the repricing of the SENESCO ATB to have a material adverse effect on the Partnership’s results of operations or financial condition. The Partnership and SENESCO have mutually agreed to cancel the options to have SENESCO build up to three additional ATBs at a fixed price. While the Partnership believes that it can contract with other shipyards to deliver additional ATBs, no assurance can be given that the Partnership will be successful contracting with other shipyards to build additional ATBs on terms acceptable to the Partnership.

On September 9, 2005, the Partnership acquired from Wilmington Trust Company the product tanker, *Gus W. Darnell*, for an aggregate purchase price of $25.0 million, excluding legal and survey costs. The vessel was renamed the *Houston* and immediately placed in drydock. The vessel is a Jones Act coastwise double hulled product tanker, built in 1985, capable of carrying approximately 240,000 barrels. The vessel was built for use by the Military Sealift Command of the U.S. Navy as part of a fleet of five vessels, which they have used primarily to deliver jet fuel to various locations in the world. The transaction was financed utilizing available cash and the Partnership’s existing credit facilities and closed in September 2005. On October 13, 2005, the drydock was completed and the vessel loaded a cargo and began its voyage from Singapore to the United States.

On November 2, 2005, the Partnership entered into a memorandum of agreement to purchase the *Sea Venture*, a 19,000 dwt double−bottomed chemical/product tanker. This vessel was re−built in 1983 and is capable of carrying twenty different grades of product in independent cargo tanks. The Partnership expects to close the purchase of the *Sea Venture* in late November 2005 and immediately drydock the vessel to bring it up to high operating standards. The Partnership estimates that the total cost to purchase and drydock the vessel will be approximately $12 million. The vessel is expected to join the Partnership's fleet in April 2006. The Partnership feels that the *Sea Venture* will provide valuable flexibility to its current and future customer base. With the addition of the *Sea Venture* to its fleet, the Partnership will own three of the five Jones Act parcel tankers with twenty independent tank segregations and will further reinforce its position as the leading U.S. Jones Act owner of chemical−capable specialized tankers.

***Liquidity Needs***

Our primary short−term liquidity needs are to pay our quarterly distributions and to fund general working capital requirements and current drydocking expenditures while our long−term liquidity needs are primarily associated with expansion and future maintenance and replacement capital expenditures. Expansion capital expenditures are primarily for the purchase or construction of vessels, while maintenance capital expenditures include drydocking expenditures and the cost of bringing our vessels into compliance with OPA 90. Our primary sources of funds for our short−term liquidity needs will be cash flows from operations and borrowings under our credit facility, while our long−term sources of funds will be from cash from operations, long−term bank borrowings and other debt or equity financings.

We believe that cash flows from operations and borrowings under our credit facility described above will be sufficient to meet our short−term liquidity needs for at least the next twelve months. If our plans or assumptions change or are inaccurate, or we make any additional acquisitions, we may need to raise additional capital to finance our ongoing capital expenditure projects on a long−term basis. There can be no assurance that we will be able to raise additional funds on favorable terms.

**ITEM 3.** ***Quantitative and Qualitative Disclosures About Market Risk***

Our market risk is affected primarily by changes in interest rates. We are exposed to the impact of interest rate changes primarily through our variable−rate borrowings under our credit facility. Significant increases in interest rates could adversely affect our operating margins, results of operations and our ability to service our indebtedness. Based on the average $9.1 million of floating rate debt outstanding during the nine months ended September 30, 2005, the impact of a 1% increase in LIBOR would result in an increase in interest expense of $69 thousand.

We utilize interest rate swaps to reduce our exposure to market risk from changes in interest rates. The principal objective of such contracts is to minimize the risks and/or costs associated with our variable rate debt. All derivative instruments held by us are designated as hedges and, accordingly, the gains and losses from changes in derivative fair values are recognized as comprehensive income as required by SFAS 133. Gains and losses upon settlement are recognized in the statement of operations. We are exposed to credit−related losses in the event of nonperformance by counterparties to these financial instruments; however, counterparties to these agreements are major financial institutions, and the risk of loss due to nonperformance is considered by management to be minimal. We do not hold or issue interest rate swaps for trading purposes.

We had two open interest rate swap agreements as of September 30, 2005. The intent of these agreements is to reduce interest rate risk by swapping an unknown variable interest rate for a fixed rate. The following is a summary of the economic terms of these agreements at September 30, 2005:

| | |
|---|---|
| Notional amount | $ 27,500,000 |
| Fixed rate paid | 3.15% |
| Variable rate received | 4.0204% |
| Effective date | 12/31/2002 |
| Expiration date | 12/29/2006 |

| | |
|---|---|
| Notional amount | $ 60,625,000 |
| Fixed rate paid | 3.9075% |
| Variable rate received | 4.0204% |
| Effective date | 4/19/2004 |
| Expiration date | 12/31/2008 |

**ITEM 4. *Controls and Procedures***

As of the end of the period covered by this report, our management, including the Chief Executive Officer and Chief Financial Officer, the Partnership’s Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in alerting them to material information, on a timely basis, required to be included in our periodic SEC filings. During our last fiscal quarter, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II—OTHER INFORMATION

### ITEM 1. *Legal Proceedings*

The Partnership is subject to various claims and lawsuits in the ordinary course of business for monetary relief principally from personal injuries, collision or other casualty and to claims arising under vessel charters. Although the outcome of any individual claim or action cannot be predicted with certainty, we believe that any adverse outcome, individually or in the aggregate, would be substantially mitigated by applicable insurance or indemnification from previous owners of our assets, and would not have a material adverse effect on our financial position, results of operations or cash flows. We are subject to deductibles with respect to our insurance coverage which range up to $150,000 per incident, and we provide on a current basis for estimated payments thereunder.

### ITEM 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

None.

**ITEM 6.** ***Exhibits***

| Exhibit Number | Description |
|---|---|
| 10.1 | First Amendment to Second Amended and Restated Credit Agreement, dated as of August 1, 2005, among U.S. Shipping Partners L.P., U.S. Shipping Operating LLC, ITB Baltimore LLC, ITB Groton LLC, ITB Jacksonville LLC, ITB Mobile LLC, ITB New York LLC, ITB Philadelphia LLC, USS Chartering LLC, USCS Chemical Chartering LLC, USCS Chemical Pioneer LLC, USCS Charleston Chartering LLC, USCS Charleston LLC, USCS ATB LLC, Canadian Imperial Bank of Commerce, KeyBank National Association and the various lenders thereto. |
| 10.2 | Second Amendment to Second Amended and Restated Credit Agreement, dated as of October 24, 2005, among U.S. Shipping Partners L.P., U.S. Shipping Operating LLC, ITB Baltimore LLC, ITB Groton LLC, ITB Jacksonville LLC, ITB Mobile LLC, ITB New York LLC, ITB Philadelphia LLC, USS Chartering LLC, USCS Chemical Chartering LLC, USCS Chemical Pioneer LLC, USCS Charleston Chartering LLC, USCS Charleston LLC, USCS ATB LLC, Canadian Imperial Bank of Commerce, KeyBank National Association and the various lenders thereto. |
| 10.3 | Amendment No. 3 to Articulated Tug Barge Building Agreement For Hull No. 046. |
| 31.1 | Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes−Oxley Act of 2002. |
| 31.2 | Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes−Oxley Act of 2002. |
| 32.1 | Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes−Oxley Act of 2002. |
| 32.2 | Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes−Oxley Act of 2002. |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 10, 2005

U.S. SHIPPING PARTNERS L.P.
By: US Shipping General Partner LLC,
its general partner

By: /s/ PAUL B. GRIDLEY

Paul B. Gridley
Chairman, Chief Executive Officer
(principal executive officer)

By: /s/ ALBERT E. BERGERON

Albert E. Bergeron
Vice President—Chief Financial Officer
(principal financial and accounting officer)

# FIRST AMENDMENT TO
# SECOND AMENDED AND RESTATED CREDIT AGREEMENT

**THIS FIRST AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT**, dated as of August 1, 2005 (this "Amendment"), is entered into by and among **U.S. SHIPPING PARTNERS L.P.**, a Delaware limited partnership, **U.S. SHIPPING OPERATING LLC**, a Delaware limited liability company, **ITB BALTIMORE LLC**, a Delaware limited liability company, **ITB GROTON LLC**, a Delaware limited liability company, **ITB JACKSONVILLE LLC**, a Delaware limited liability company, **ITB MOBILE LLC**, a Delaware limited liability company, **ITB NEW YORK LLC**, a Delaware limited liability company, **ITB PHILADELPHIA LLC**, a Delaware limited liability company, **USS CHARTERING LLC**, a Delaware limited liability company, **USCS CHEMICAL CHARTERING LLC**, a Delaware limited liability company, **USCS CHEMICAL PIONEER INC.**, a Delaware corporation and successor−by−conversion to USCS Chemical Pioneer LLC, **USCS CHARLESTON LLC**, a Delaware limited liability company, **USCS CHARLESTON CHARTERING LLC**, a Delaware limited liability company, **USCS ATB LLC**, a Delaware limited liability company (each of the foregoing being individually called a "Borrower" and collectively, the "Borrowers"), the various financial institutions as are or may become parties to the Credit Agreement as defined hereinafter (collectively, the "Lenders"), **CANADIAN IMPERIAL BANK OF COMMERCE** ("CIBC"), as administrative agent (in such capacity together with its successors in such capacity, the "Administrative Agent") for the Lenders, **CIBC**, as letter of credit issuer (the "Letter of Credit Issuer"), and **KEYBANK NATIONAL ASSOCIATION**, as collateral agent (in such capacity, together with its successors in such capacity, the "Collateral Agent") for the Secured Parties (as defined in the Credit Agreement hereinafter defined).

## W I T N E S S E T H:

**WHEREAS**, the Borrowers, the Lenders, the Letter of Credit Issuer, the Administrative Agent and the Collateral Agent have entered into that certain Second Amended and Restated Credit Agreement dated as of November 3, 2004 (the "Credit Agreement").

**WHEREAS**, the Borrowers intend to increase the Commitments pursuant to Section 2.1.6 of the Credit Agreement and to use the proceeds of the Credit Extensions utilizing such increased Commitments (a) to acquire the M/V Gus W. Darnell, a vessel that has been operating for at least six months prior to such acquisition by the Borrowers and (b) to construct one or more new articulated tug−barge vessel in addition to the ATB (such vessels, the "New ATBs").

**WHEREAS**, the Borrowers, the Lenders, the Letter of Credit Issuer, the Administrative Agent and the Collateral Agent intend to amend certain provisions of the Credit Agreement as set forth herein.

**NOW THEREFORE**, in consideration of the foregoing and the mutual agreements set forth herein, the parties hereto agree as follows:

---

**SECTION 1.** Definitions. Unless otherwise defined in this Amendment, each capitalized term used in this Amendment has the meaning assigned to such term in the Credit Agreement.

**SECTION 2.** Amendment of Section 1.1 of the Credit Agreement. Section 1.1 of the Credit Agreement is hereby amended as follows:

(a) The following defined term is inserted in Section 1.1 of the Credit Agreement immediately after the definition for "Credit Facility Pro Rata Share" and immediately before the definition for "Debt":

> " "Darnell Acquisition Agreement" means that certain Memorandum of Agreement, dated July 5, 2005, by and between Wilmington Trust Company, not in its individual capacity but solely as Owner Trustee under the Owner Trust agreement dated September 11, 1985, as "Sellers" and MLP or its guaranteed nominee as "Buyers", as amended or otherwise modified from time to time."

(b) Clause (f) of the definition of "Indebtedness" is amended (i) by inserting the text "or the Darnell Acquisition Agreement" immediately after the text "the ATB Construction Contract" and (ii) by inserting the text "provided, however, that any agreement to pay for the purchase or construction of one or more vessels and other assets relating to such vessels upon the delivery of such acquired vessels where the acquisition of such vessels and related assets are otherwise permitted under this Agreement shall not be deemed to be "Indebtedness" hereunder until the earlier of (a) the first date of delivery of any such vessel or other related asset in accordance with such agreement or (b) the first date any payment (other than an initial deposit) is made by any Borrower or Subsidiary for the purchase or construction of such vessel or other related asset" immediately before the text "; and".

(c) The definition of "Vessel Acquisition" is amended by inserting the text "but including the M/V Gus Darnell acquired pursuant to the Darnell Acquisition Agreement" immediately after the text "excluding the ATB".

**SECTION 3.** Amendment of Section 3.1 of the Credit Agreement. Clause (c) of Section 3.1 of the Credit Agreement is hereby amended by deleting the repayment schedule in its entirety and inserting the following schedule in lieu thereof:

---

| Date | | Amount |
| --- | --- | --- |
| September 30, 2005 | $ | 375,000 |
| December 31, 2005 | $ | 462,549 |
| March 31, 2006 | $ | 462,549 |
| June 30, 2006 | $ | 462,549 |
| September 30, 2006 | $ | 462,549 |
| December 31, 2006 | $ | 462,549 |
| March 31, 2007 | $ | 1,541,829 |
| June 30, 2007 | $ | 1,541,829 |
| September 30, 2007 | $ | 1,541,829 |
| December 31, 2007 | $ | 1,541,829 |
| March 31, 2008 | $ | 3,083,658 |
| June 30, 2008 | $ | 3,083,658 |
| September 30, 2008 | $ | 3,083,658 |
| December 31, 2008 | $ | 3,083,658 |
| March 31, 2009 | $ | 3,083,658 |
| June 30, 2009 | $ | 3,083,658 |
| September 30, 2009 | $ | 3,083,658 |
| December 31, 2009 | $ | 64,217,166 |
| April 30, 2010 | $ | 64,217,167 |

**SECTION 4.** Amendment of Section 7.2.7 of the Credit Agreement. Section 7.2.7 of the Credit Agreement is hereby amended by (a) deleting the text "or commit to make" and (b) inserting the text ", expenditures for the purchase of the M/V Gus W. Darnell pursuant to the Darnell Acquisition Agreement and refurbishment of the M/V Gus W. Darnell in an amount not to exceed $30,000,000 in the aggregate," immediately after the text "expenditures for the ATB".

**SECTION 5.** Calculation of Consolidated Pro Forma EBITDA. The parties hereto agree with the Administrative Agent that for each period that Consolidated Pro Forma EBITDA is calculated after the delivery of the M/V Gus W. Darnell to the Borrowers, Consolidated Pro Forma EBITDA shall be calculated after giving pro forma effect to the acquisition of the M/V Gus W. Darnell during the period as if such acquisition had occurred on the first day of such period.

**SECTION 6.** Ratification. Each Borrower hereby ratifies and confirms all of the Obligations under the Credit Agreement and the other Loan Documents. This Amendment is an amendment to the Credit Agreement, and the Credit Agreement as amended hereby, is hereby ratified, approved and confirmed in each and every respect.

**SECTION 7.** Effectiveness. This Amendment shall be effective as of July 5, 2005, provided that the conditions set forth in this Section 5 are satisfied:

(a) The Administrative Agent shall have received duly executed counterparts of this Amendment from the Borrowers, the Administrative Agent, the Letter of Credit Issuer, the Collateral Agent and the Majority Lenders.

(b) To induce the Lenders to enter into this Amendment, each of the Borrowers shall have represented and warranted to the Administrative Agent, the Letter of Credit Issuer, the Collateral Agent and the Lenders, and by its execution and delivery of this Amendment such Borrower does hereby represent and warrant to the Administrative Agent, the Letter of Credit Issuer, the Collateral Agent and the Lenders, that (i) the execution, delivery and performance of this Amendment has been duly authorized by all requisite corporate action on the part of such Borrower; (ii) the Credit Agreement and each other Loan Document to which it is a party constitute valid and legally binding agreements enforceable against such Borrower in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws relating to or affecting the enforcement of creditors' rights generally and by general principles of equity, (iii) the representations and warranties by such Borrower contained in the Credit Agreement and in the other Loan Documents are true and correct on and as of the date hereof in all material respects as though made as of the date hereof, except those that by their terms relate solely as to an earlier date, in which event they shall be true and correct on and as of such earlier date, and (iv) no Default or Event of Default exists under the Credit Agreement or any of the other Loan Documents.

**SECTION 8.** Conditions Subsequent. The Borrowers hereby covenant and agree that they

(a) shall execute and deliver a Mortgage, substantially in the form of Exhibit G to the Credit Agreement, within twenty (20) Business Days (or such timeframe as is acceptable to the Administrative Agent) after the delivery of the M/V Gus W. Darnell to any Borrower or Subsidiary of a Borrower;

(b) shall deliver a Third Party Consent, substantially in the form of Exhibit K−2 to the Credit Agreement, duly executed and delivered by each charterer who executes a time charter for any period equal to or greater than two years with any Borrower or Subsidiary of a Borrower with respect to the M/V Gus W. Darnell not later than 180 days immediately following the execution of such charter; and

(c) shall not, and shall not permit any of their respective Subsidiaries to, make any disbursement of funds to any contractor for the construction of each of the New ATBs, other than the payment of a premium in an amount not in excess of $1,000,000 with respect to purchasing an option to have the contractor construct each of the New ATBs, unless prior to any such disbursement each of the following conditions shall have been satisfied with respect to each New ATB: (i) one or more of the Borrowers, or a wholly−owned Subsidiary thereof, shall have entered into a fixed price construction contract, which may include a fluctuating speed bonus component, with the contractor for the construction of the New ATB at a total cost not in excess of $48,000,000, with a construction period of no longer than 24 months and which is otherwise in form and substance reasonably satisfactory to the Administrative Agent; (ii) the Borrowers, or a wholly−owned Subsidiary thereof, shall have obtained a completion bond, insurance policy, standby letter of credit, deposit arrangement, or other arrangement, in an amount, upon terms and from parties that are reasonably satisfactory to the Administrative Agent, to assure the timely completion and certification of the New ATB with such arrangement to be maintained throughout the construction period; and (iii) the Administrative Agent shall have received a consent and agreement to the assignment and creation of a security interest in the construction contract with the contractor for the construction of the New ATB by the Borrowers, or a wholly−owned Subsidiary thereof, to the Collateral Agent for the benefit of the Secured Parties of all of the Borrowers' and its Subsidiaries' rights, title and interests in, to and under the construction contract as security for the Obligations.

**SECTION 9.** Governing Law; Severability; Entire Agreement. **THIS AMENDMENT SHALL EACH BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION)**. Any provision of this Amendment or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment or such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction. This Amendment and the other Transaction Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and supersede any prior agreements, written or oral, with respect thereto.

**SECTION 10.** Execution in Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be executed by the Borrowers and the Administrative Agent and be deemed to be an original and all of which shall constitute together but one and the same agreement.

**SECTION 11.** Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that (a) no Borrower may assign or transfer its rights or obligations hereunder without the prior written consent of the Administrative Agent, the Letter of Credit Issuer and all Lenders; and (b) the rights of sale, assignment and transfer of the Lenders are subject to Section 10.11 of the Credit Agreement.

**SECTION 12.** Miscellaneous. (a) On and after the effectiveness of this Amendment, each reference in each Transaction Document to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended or otherwise modified by this Amendment; (b) the execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any default of the Borrower or any right, power or remedy of the Administrative Agent, the Letter of Credit Issuer, the Collateral Agent or the Lenders under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents; (c) this Amendment is a Loan Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with the terms and provisions of the Credit Agreement; and (d) a facsimile signature of any party hereto shall be deemed to be an original signature for purposes of this Amendment.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by its officers thereunto duly authorized as of the date first above written.

**BORROWERS**:

**U.S. SHIPPING PARTNERS L.P.**

By: US Shipping General Partner LLC,
its General Partner

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**U.S. SHIPPING OPERATING LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**ITB BALTIMORE LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**ITB GROTON LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**ITB JACKSONVILLE LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**ITB MOBILE LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**ITB NEW YORK LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**ITB PHILADELPHIA LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**USS CHARTERING LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**USCS CHEMICAL CHARTERING LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**USCS CHEMICAL PIONEER INC.**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**USCS CHARLESTON CHARTERING LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**USCS CHARLESTON LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**USCS ATB LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**AGENTS AND LENDERS**:

**CANADIAN IMPERIAL BANK OF COMMERCE**, as Administrative Agent and Letter of Credit Issuer

By: ______________________________

Name:
Title:

**KEYBANK NATIONAL ASSOCIATION,** as Collateral Agent and Lender

By: ______________________________

Name:
Title:

_____________________________________________,
as Lender

By: ______________________________

Name:
Title:

# SECOND AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

**THIS SECOND AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT**, dated as of October 24, 2005 (this "Amendment"), is entered into by and among **U.S. SHIPPING PARTNERS L.P.**, a Delaware limited partnership, **U.S. SHIPPING OPERATING LLC**, a Delaware limited liability company, **ITB BALTIMORE LLC**, a Delaware limited liability company, **ITB GROTON LLC**, a Delaware limited liability company, **ITB JACKSONVILLE LLC**, a Delaware limited liability company, **ITB MOBILE LLC**, a Delaware limited liability company, **ITB NEW YORK LLC**, a Delaware limited liability company, **ITB PHILADELPHIA LLC**, a Delaware limited liability company, **USS CHARTERING LLC**, a Delaware limited liability company, **USCS CHEMICAL CHARTERING LLC**, a Delaware limited liability company, **USCS CHEMICAL PIONEER INC.**, a Delaware corporation and successor−by−conversion to USCS Chemical Pioneer LLC, **USCS CHARLESTON LLC**, a Delaware limited liability company, **USCS CHARLESTON CHARTERING LLC**, a Delaware limited liability company, **USCS ATB LLC**, a Delaware limited liability company (each of the foregoing being individually called a "Borrower" and collectively, the "Borrowers"), the various financial institutions as are or may become parties to the Credit Agreement as defined hereinafter (collectively, the "Lenders"), **CANADIAN IMPERIAL BANK OF COMMERCE** ("CIBC"), as administrative agent (in such capacity together with its successors in such capacity, the "Administrative Agent") for the Lenders, **CIBC**, as letter of credit issuer (the "Letter of Credit Issuer"), and **KEYBANK NATIONAL ASSOCIATION**, as collateral agent (in such capacity, together with its successors in such capacity, the "Collateral Agent") for the Secured Parties (as defined in the Credit Agreement hereinafter defined).

**W I T N E S S E T H:**

**WHEREAS**, the Borrowers, the Lenders, the Letter of Credit Issuer, the Administrative Agent and the Collateral Agent have entered into that certain Second Amended and Restated Credit Agreement dated as of November 3, 2004, as amended by the certain First Amendment to Second Amended and Restated Credit Agreement dated as of August 1, 2005 (as further amended, restated or otherwise modified, the "Credit Agreement").

**WHEREAS**, the Borrowers, the Lenders, the Letter of Credit Issuer, the Administrative Agent and the Collateral Agent intend to amend certain provisions of the Credit Agreement as set forth herein.

**NOW THEREFORE**, in consideration of the foregoing and the mutual agreements set forth herein, the parties hereto agree as follows:

**SECTION 1.** Definitions. Unless otherwise defined in this Amendment, each capitalized term used in this Amendment has the meaning assigned to such term in the Credit Agreement.

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**SECTION 2.** Amendment of Section 1.1 of the Credit Agreement. Section 1.1 of the Credit Agreement is hereby amended as follows:

(a) The definition of "ATB Contractor" is deleted in its entirety and replaced with the following text:

" "ATB Contractor" means Southeastern New England Shipbuilding Corporation d/b/a/ SENESCO Marine, a Delaware corporation, and its successors, or any other shipyard, in substantially the same business of constructing in the United States tug barges and other vessels that are designed to transport petroleum products and chemicals, that has been proposed by the Borrowers and approved by the Administrative Agent.";

(b) The definition of "Charter" is amended by inserting the text "or each New ATB" immediately after the text "or the ATB";

(c) Clause (f) of the definition of "Indebtedness" is deleted in its entirety and replaced with the following text:

"(f) whether or not so included as liabilities in accordance with GAAP, all obligations of such Person to pay the deferred purchase price of property or services (excluding any obligations of any Borrower, or any wholly−owned Subsidiary of any Borrower, (i) to the ATB Contractor incurred pursuant to the ATB Construction Contract or any New ATB Construction Contract or (ii) incurred pursuant to the Darnell Acquisition Agreement), and indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; provided, however, that any agreement to pay for the purchase or construction of one or more vessels and other assets relating to such vessels upon the delivery of such acquired vessels where the acquisition of such vessels and related assets are otherwise permitted under this Agreement, including pursuant to a Vessel Acquisition, shall not be deemed to be "Indebtedness" hereunder until the earlier of (a) the first date of delivery of any such vessel or other related asset in accordance with such agreement or (b) the first date any payment (other than an initial deposit) is made by any Borrower or Subsidiary for the purchase or construction of such vessel or other related asset; and";

(d) The definition of Material Charter is amended by adding the text "each Charter executed after the Closing Date that is effective for a period equal to or greater than two years," immediately after the text "each Investment Grade Charter,";

(e) The following defined terms are inserted in Section 1.1 of the Credit Agreement immediately after the definition for "Net Proceeds" and immediately before the definition for "New Borrowers":

"     "New ATB" means, individually, each new articulated tug−barge vessel designed to transport chemicals that is to be constructed pursuant to a New ATB Construction Contract.

"New ATB Construction Contract" means each Articulated Tug Barge Building Agreement or other contract for the construction of a new articulated tug−barge vessel designed to transport chemicals and petroleum products executed after the date hereof with the ATB Contractor and in accordance with Section 7.2.15, as amended or otherwise modified from time to time.";

(f) The definition of "Total Fixed Charge Coverage Ratio" is amended by inserting the text "and each New ATB and Vessels acquired pursuant to a Vessel Acquisition (including, for clarity, the M/V Gus Darnell)" immediately after the text "construction of the ATB";

(g) The definition of "Transaction Document" is amended by inserting the text "each New ATB Construction Contract," immediately after the text "the ATB Construction Contract,";

(h) The definition of "Vessel Acquisition" is amended by inserting the text "and each New ATB" immediately after the text "excluding the ATB"; and

(i) Clause (ii) of the definition of "Vessels" is amended by replacing the text "the ATB upon its certification," with the text "the ATB and each New ATB upon each such vessel's respective certification,".

**SECTION 3.** Amendment of Section 4.10 of the Credit Agreement. Section 4.10 of the Credit Agreement is hereby amended (a) by inserting the text "including the payment of construction costs for the ATB provided that the aggregate amount of the construction costs incurred pursuant to the ATB Construction Contract does not exceed $53,100,000," immediately after the text "permitted Capital Expenditures" in clause (i), and (b) by deleting the text "in an amount not to exceed $45,600,000" in clause (iii).

**SECTION 4.** Amendment of Section 7.1.1 of the Credit Agreement. Clause (a) of Section 7.1.1 of the Credit Agreement is hereby amended by inserting the text "and each New ATB Construction Contract" immediately after the text "pursuant to the ATB Construction Contract".

**SECTION 5.** Amendment of Section 7.1.8 of the Credit Agreement. Section 7.1.8 of the Credit Agreement is hereby amended (i) by replacing the text "the ATB, any contracts executed with the ATB Contractor with respect to the ATB" with the text "the ATB, each New ATB, any contracts executed with the ATB Contractor with respect to the ATB or any New ATB" and (ii) by inserting the text ", deliver a Third Party Consent, substantially in the form of Exhibit K−2, duly executed and delivered by the respective charterer, with respect to each Material Charter executed after the Closing Date, not later than 180 days immediately following the execution of such Material Charter" immediately after the text "equipment, chattel paper, and instruments".

**SECTION 6.** Amendment of Section 7.2.2 of the Credit Agreement. Clause (e) of Section 7.2.2 of the Credit Agreement is hereby deleted in its entirety and replaced with the following text:

"(e) Indebtedness in respect of Capitalized Lease Liabilities to the extent permitted by Section 7.2.7; provided such Capitalized Lease Liabilities do not, and will not, result from the acquisition of any vessels pursuant to a Vessel Acquisition;".

**SECTION 7.** Amendment of Section 7.2.7 of the Credit Agreement. Clause (a) of Section 7.2.7 of the Credit Agreement is hereby amended (i) by inserting the text "or any New ATB" immediately after the text "expenditures for the ATB" and immediately before the text ", expenditures for the purchase of the M/V Gus W. Darnell pursuant to the Darnell Acquisition Agreement and refurbishment of the M/V Gus W. Darnell in an amount not to exceed $30,000,000 in the aggregate,", (ii) by inserting the text "pursuant to a Vessel Acquisition or" immediately after the text "Vessels constructed or acquired" and immediately before the text "with the proceeds of any Credit Extensions", and (iii) by replacing the text "acquire any Vessel (other than the ATB)" with the text "acquire any Vessel (other than the ATB or any New ATB) pursuant to a Vessel Acquisition or".

**SECTION 8.** Amendment of Section 7.2.11 of the Credit Agreement. Section 7.2.11 of the Credit Agreement is hereby amended by inserting the text "or any New ATB Construction Contract" immediately after the text "or the ATB Construction Contract".

**SECTION 9.** Addition of Section 7.2.15 to the Credit Agreement. Article VII of the Credit Agreement is hereby amended by inserting the following new Section 7.2.15 in the appropriate place:

" **SECTION 7.2.15**. Limitation on Funds Disbursement for Construction of Each New ATB. The Borrowers shall not, and shall not permit any of their respective Subsidiaries to, make any disbursement of funds to the ATB Contractor for the construction of any New ATB, other than the payment of a premium in an amount not in excess of $1,000,000 with respect to purchasing an option to have the ATB Contractor construct each New ATB, unless prior to such disbursement each of the following conditions shall have been satisfied with respect to each New ATB:

(a) one or more of the Borrowers, or a wholly−owned Subsidiary thereof, shall have entered into a fixed price construction contract, which may include a fluctuating speed bonus component, with the ATB Contractor for the construction of such New ATB, with a construction period of no longer than 24 months and which is otherwise in form and substance reasonably satisfactory to the Administrative Agent;

(b) the Borrowers, or a wholly−owned Subsidiary thereof, shall have obtained a completion bond, insurance policy, standby letter of credit, deposit arrangement, or other arrangement, in an amount, upon terms and from parties that are reasonably satisfactory to the

Administrative Agent, to assure the timely completion and certification of the New ATB with such arrangement to be maintained throughout the construction period; and

(c) the Administrative Agent shall have received a consent and agreement to the assignment and creation of a security interest in the construction contract with the ATB Contractor for the construction of the New ATB by the Borrowers, or a wholly−owned Subsidiary thereof, to the Collateral Agent for the benefit of the Secured Parties of all of the Borrowers' and its Subsidiaries' rights, title and interests in, to and under the relevant New ATB Construction Contract as security for the Obligations hereunder, duly executed and delivered by the ATB Contractor."

**SECTION 10.** Limited Waiver Consent of Section 7.2.12(a) of the Credit Agreement. The Lenders, the Administrative Agent, the Letter of Credit Issuer and the Collateral Agent do hereby consent to a waiver of Section 7.2.12(a) of the Credit Agreement for the limited purpose of permitting an amendment and other modifications to the ATB Construction Contract that, among other things, extend the construction completion date of the ATB to November 30, 2006, increase construction costs to be paid by the Borrowers in an amount not to exceed $7,500,000, and establish a daily penalty rate of $30,000 to be paid by the ATB Contractor for each day delay in delivery of the ATB beyond November 30, 2006; provided that (i) the terms of such amendment and other modifications are reasonably satisfactory to the Administrative Agent, and (ii) the instruments with respect to security supporting the performance of the ATB Contractor under the ATB Construction Contract are simultaneously amended to provide terms that are more favorable in the aggregate to the Borrowers than the existing terms and that are reasonably satisfactory to the Administrative Agent. Except as expressly set forth herein, no portion of this Section 10 shall be deemed or interpreted in any way to be a waiver of any provision of the Credit Agreement or any other Loan Document or of any right, power or remedy under the Credit Agreement or any other Transaction Document or applicable law.

**SECTION 11.** Ratification. Each Borrower hereby ratifies and confirms all of the Obligations under the Credit Agreement and the other Loan Documents. This Amendment is an amendment to the Credit Agreement, and the Credit Agreement as amended hereby, is hereby ratified, approved and confirmed in each and every respect.

**SECTION 12.** Effectiveness. This Amendment shall be effective as of the date first written above, provided that the conditions set forth in this Section 12 are satisfied:

(a) The Administrative Agent shall have received duly executed counterparts of this Amendment from the Borrowers, the Administrative Agent, the Letter of Credit Issuer, the Collateral Agent and the Majority Lenders.

(b) To induce the Lenders to enter into this Amendment, each of the Borrowers shall have represented and warranted to the Administrative Agent, the Letter of Credit Issuer, the Collateral Agent and the Lenders, and by its execution and delivery of this Amendment such Borrower does hereby represent and warrant to the Administrative Agent, the Letter of Credit Issuer, the Collateral Agent and the Lenders, that (i) the execution, delivery and performance of this Amendment has been duly authorized by all requisite corporate action on the part of such Borrower; (ii) the Credit Agreement and each other Loan Document to which it is a party constitute valid and legally binding agreements enforceable against such Borrower in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer or other similar laws relating to or affecting the enforcement of creditors' rights generally and by general principles of equity, (iii) the representations and warranties by such Borrower contained in the Credit Agreement and in the other Loan Documents are true and correct on and as of the date hereof in all material respects as though made as of the date hereof, except those that by their terms relate solely as to an earlier date, in which event they shall be true and correct on and as of such earlier date, and (iv) no Default or Event of Default exists under the Credit Agreement or any of the other Loan Documents.

**SECTION 13.** Governing Law; Severability; Entire Agreement. **THIS AMENDMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO ANY CONFLICTS OF LAW PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION)**. Any provision of this Amendment or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such provision and such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Amendment or such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction. This Amendment and the other Transaction Documents constitute the entire understanding among the parties hereto with respect to the subject matter hereof and supersede any prior agreements, written or oral, with respect thereto.

**SECTION 14.** Execution in Counterparts. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

**SECTION 15.** Successors and Assigns. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that (a) no Borrower may assign or transfer its rights or obligations hereunder without the prior written consent of the Administrative Agent, the Letter of Credit Issuer and all Lenders; and (b) the rights of sale, assignment and transfer of the Lenders are subject to Section 10.11 of the Credit Agreement.

**SECTION 16.** Miscellaneous. (a) On and after the effectiveness of this Amendment, each reference in each Transaction Document to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement as amended or otherwise modified by this Amendment; (b) the execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any default of the Borrower or any right, power or remedy of the Administrative Agent, the Letter of Credit Issuer, the Collateral Agent or the Lenders under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents; (c) this Amendment is a Loan Document executed pursuant to the Credit Agreement and shall (unless otherwise expressly indicated therein) be construed, administered and applied in accordance with the terms and provisions of the Credit Agreement; and (d) a facsimile signature of any party hereto shall be deemed to be an original signature for purposes of this Amendment.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by its officers thereunto duly authorized as of the date first above written.

**BORROWERS**:

**U.S. SHIPPING PARTNERS L.P.**

By: US Shipping General Partner LLC,
its General Partner

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**U.S. SHIPPING OPERATING LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**ITB BALTIMORE LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**ITB GROTON LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**ITB JACKSONVILLE LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**ITB MOBILE LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**ITB NEW YORK LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**ITB PHILADELPHIA LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**USS CHARTERING LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**USCS CHEMICAL CHARTERING LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**USCS CHEMICAL PIONEER INC.**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**USCS CHARLESTON CHARTERING LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**USCS CHARLESTON LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**USCS ATB LLC**

By: /s/ PAUL GRIDLEY

Name: Paul Gridley
Title: Chairman and Chief Executive Officer

**AGENTS AND LENDERS**:

**CANADIAN IMPERIAL BANK OF COMMERCE**, as Administrative Agent and Letter of Credit Issuer

By: ____________________________________

Name:
Title:

**KEYBANK NATIONAL ASSOCIATION,** as Collateral Agent and Lender

By: ____________________________________

Name:
Title:

________________________________________,
as Lender

By: ____________________________________

Name:
Title:

**AMENDMENT NO. 3**

**TO**

**ARTICULATED TUG BARGE BUILDING AGREEMENT**

**FOR HULL NO. 046**

**AMENDMENT No. 3** made as of this 8th day of November, 2005 to that certain Articulated Tug Barge Agreement dated August 7, 2004, Contract No. 046 (the "Agreement"), as amended by letter agreements dated August 7, 2004 (Agreement Amendment No. 1) and September 29, 2004 (Agreement Amendment No. 2) respectively, by and between Southeastern New England Shipbuilding Corporation, d/b/a SENESCO Marine, a Delaware corporation with its principal place of business at 10 MacNaught Street, North Kingstown, Rhode Island 02852 ("SENESCO") and USCS ATB LLC, a New Jersey limited liability company with its principal place of business c/o USS Vessel Management, Inc., PO Box 2945, Edison, New Jersey, 08818−2945 ("Buyer").

**W I T N E S S E T H:**

**WHEREAS,** SENESCO and the Buyer have entered into the Agreement providing for the construction by SENESCO for the Buyer of an Articulated Tug Barge, designated as Hull No. 046, with a capacity of 140,000 BBL (at 98 percent) ABS Class A1 (E) Chemical Petroleum Barge with a guaranteed deadweight of 19,999 LT, bearing Hull No. 046 (the "ATB");

**WHEREAS,** SENESCO and the Buyer wish to further amend the Agreement as hereinafter set forth.

**NOW, THEREFORE,** it is hereby agreed between SENESCO and the BUYER, as follows:



1. The Summary of Terms is hereby amended, as follows:

   a. In Section 4, after "This Agreement," there shall be added: "as modified by Agreement Amendments Nos. 1 and 2 and this Amendment No. 3. (hereinafter, the "Agreement")."

   b. In Section 6, the Delivery Date of March 1, 2006 is hereby changed to November 30, 2006.

   c. Section 7 is hereby amended to read:

      Total Project Cost: $51,636,619 made up of a barge unit (the "Barge") and pusher tug (the "Tug" or "Pusher Tug") of $44,672,690 and Buyer Furnished Equipment of $6,963,929, as adjusted for changes.

      Purchase Price: $44,672,690 (the "Amended Purchase Price"

      Total Project Cost net of Buyer Furnished Equipment and Services, as adjusted ("Buyer Furnished Equipment" or "BFE&S").

      Progress Payments to be made in accordance with Milestone Payment Schedule, as amended (the "Amended Milestone Payment Schedule") (Appendix 3a attached hereto for Barge and Tug).

      Production to be accomplished in accordance with Production Schedule, as amended (the "Amended Production Schedule") (Appendix 3b attached hereto).

   d. Section 9 is hereby amended to read "Amended Barge Letter of Credit (Appendix 4a) and Amended Tug Letter of Credit (Appendix 8a), the forms of which are attached hereto."

   e. Section 11 is hereby amended to read:

| | |
|---|---|
| Barge: | Quonset Point, Rhode Island, |
| | Bridgeport, Connecticut |
| | Sparrows Point, Maryland |
| Tug: | Quonset Point, Rhode Island |

f. Section 15 is hereby amended to read:

Notifications to SENESCO:

Mr. Frederick G. Frost, III
Acting Chief Executive Officer
SENESCO
10 MacNaught Street
North Kingstown, RI 02852

Tel: (401) 295−0373
Fax: (401) 294−4140
Email: ffrost@SenescoMarine.com

g. Section 16 is hereby amended to read:

Description of ATB & Classification Requirements (Appendix 5)

Amended Milestone Acceptance (Appendix 6a)

ATB (Tug & Barge) Certification (Appendix 7)

BFE&S Insurance (Appendix 9)

Construction Transfer Insurance (Appendix 10)

Major Costs of Construction Transfer (Appendix 11)

Appendices 6a, 9, 10, and 11 are attached hereto.

2. Article 1.c.(i) is hereby amended to read:

This Agreement including any amendments;

3. Article I(e) is hereby amended to read:

Place of Construction. The Barge unit has been and will continue to be constructed by SENESCO at its shipyard located in Quonset Point, Rhode Island (the “SENESCO Shipyard”) to the extent technically reasonable, including panel lines, until such time as SENESCO shall commence the transfer of the Barge sections and components and BFE&S (the “Construction Transfer”) to the former

Baltimore Marine Industries shipyard at Sparrows Point, Maryland ("Sparrows Point") for completion of the Barge (the "Construction Transfer Date"); provided, however, that the bow assembly ("Bow Assembly") of the Barge shall continue to be constructed by Derecktor Shipyards Conn. LLC ("Derecktor") at Derecktor's facility in Bridgeport, Conn., and upon completion of the Bow Assembly, it shall be transported to Sparrows Point for joining with the balance of the sections of the Barge, all within the Purchase Price and at the sole risk, cost, and expense of SENESCO. The Tug will continue to be built at Quonset Point, Rhode Island.

SENESCO may subcontract painting of the Barge, which work, to the extent underway, will be performed at the SENESCO Shipyard until the completion of the Construction Transfer and then at Sparrows Point. Other than the above, and except as to subcontracts pertaining to the Construction Transfer, SENESCO may not enter into subcontracts in excess of $100,000 aggregate per subcontractor without submission of the form of each such sub−contract to Buyer and prompt receipt (i.e., within five (5) U.S. business days of SENESCO's submission) of Buyer's written consent, which shall not be unreasonably withheld. When circumstances so require and justify, Buyer shall provide or withhold its consent within one (1) business day of submission.

4. In Article I(f), is hereby amended to read:

BFE&S. SENESCO will provide, at the SENESCO Shipyard and at Sparrows Point, clean, dry and protected storage and appropriate insurance for BFE&S (Appendix 9) from the time of receipt thereof until time of actual installation in the ATB's hull and SENESCO will provide foundations, power wiring, installation services, all labor, materials, equipment and services to install and test all equipment (Buyer and SENESCO supplied) in accordance with the Agreement, as amended. (If required by the manufacturer, SENESCO will maintain any BFE&S prior to delivery of the ATB). BFE&S for the Tug shall be timely delivered by Buyer to Quonset Point, and BFE&S for the Barge will be timely delivered to SENESCO Shipyard prior to the Construction Transfer Date and after such date to Sparrows Point. Buyer shall not make any substitutions or changes in the BFE&S without

SENESCO's consent, which consent shall not be unreasonably withheld. The Tug, upon completion at SENESCO Shipyard, shall be timely delivered to Sparrows Point for sea trials with the Barge unit at the sole cost, risk, and expense of SENESCO.

5. Article I(i) is hereby amended to read:

To secure its obligations to build the ATB hereunder, SENESCO shall, on such terms, conditions and amounts satisfactory to the Buyer and customary in transactions of this type and size, purchase and furnish two amended irrevocable standby Letters of Credit ("Amended Letters of Credit"). One Amended Letter of Credit will apply to the construction of the Barge, and be in the amount of $15,000,000 (Fifteen Million Dollars) issued by the Bank of America (the "Amended Barge Letter of Credit") in the form annexed hereto as Appendix 4a. The second Amended Letter of Credit will apply to the construction of the Tug, and be in the amount of $3,000,000 (Three Million Dollars) issued by the Bank of America (the "Amended Tug Letter of Credit") in the form annexed hereto as Appendix 8a. Each Amended Letter of Credit will be issued by the Bank of America as security for the faithful performance of this Agreement. The Amended Barge Letter of Credit will be limited to the following three draw events ("Barge Draw Events"):

(i) the payment of any and all liquidated damages as provided in Article IV(b) hereof;

(ii) the payment of all costs incurred by Buyer to complete the construction of the ATB at SENESCO or Sparrows Point or a facility other than such facilities; and

(iii) receipt of notice that the issuing bank as of the fifteenth day prior to the expiry of the Amended Barge Letter of Credit has elected not to renew the Amended Barge Letter of Credit and SENESCO or Applicant, as named in the Letter of Credit, has not delivered a replacement Amended Barge Letter of Credit as set forth in Appendix 4a.

The Amended Tug Letter of Credit shall be limited to the following two draw events ("Tug Draw Events"):

(i) payment of additional costs occasioned by completion of the Tug at SENESCO, or at a facility other than SENESCO, and also for the payment to all persons performing labor on the Tug pursuant to this Agreement and furnishing materials in connection therewith and excepting costs related to Buyer Furnished Equipment (other than installation, packing and shipping to another facility to complete the Tug); and

(ii) receipt of notice that the issuing bank as of the fifteenth day prior to the expiry of such has elected not to renew the Amended Tug Letter of Credit and SENESCO or Applicant, as named in the letter of credit, has not delivered a replacement letter of credit as set forth in Appendix 8a.

The costs for the Amended Barge Letter of Credit and the Amended Tug Letter of Credit shall be solely for Buyer's account and expense (it being understood that if Buyer draws upon either or both letters of credit it is not responsible for paying such amounts to the bank) and the Amended Barge Letter of Credit and Amended Tug Letter of Credit shall expire upon acceptance and transfer of title of the ATB.

SENESCO acknowledges that the Amended Barge Letter of Credit and Amended Tug Letter of Credit will be assigned to lender for Buyer and Guarantor.

In the event Buyer draws upon either the Amended Barge Letter of Credit or Amended Tug Letter of Credit because the issuing bank has provided notice that either or both will expire without replacement, Buyer shall deposit all proceeds therefrom in an interest bearing escrow account with one of its lenders and no funds may be taken therefrom except to the extent SENESCO defaults and Buyer incurs additional costs to complete the ATB as described above and in addition, but with respect to proceeds from the Amended Barge Letter of Credit only, for payment of liquidated damages under Article IV(b) of this Agreement.

Upon acceptance and delivery of the completed Barge and all of "Builder's Property" (as hereinafter defined) to Buyer, in accordance with the Agreement and applicable laws and regulations, or the confirmation by the United States District Court for the Southern District of New York of an arbitration award, if any, or in the event of

SENESCO's default, or the completion of the Barge at Sparrows Point or any other facility, whichever is later, Buyer shall forthwith pay over to Malcolm G. Chace or any other applicant for the Amended Barge Letter of Credit, all proceeds drawn upon under the Amended Barge Letter of Credit in excess of those to which Buyer shall be or shall have been entitled by reason of any or all of Barge Draw Events (i) through (ii).

Upon delivery of the completed Tug to Buyer in accordance with the Agreement and applicable laws and regulations, or the confirmation by the United States District Court for the Southern District of New York of an arbitration award, if any, or in the event of default by SENESCO with respect to the completion of the Tug at SENESCO, Derecktor or at another facility, Buyer shall forthwith pay over to Malcolm G. Chace all proceeds drawn upon the Tug Letter of Credit, in excess of those to which Buyer shall be or shall have been entitled by reason of Tug Draw Event (i). Malcolm G. Chace shall be a third party beneficiary of this covenant by Buyer and shall be entitled to enforce his rights directly against Buyer hereunder.

All references in the Agreement to "Fleet Bank/Bank of America" shall in the case of the Amended Barge Letter of Credit and the Amended Tug Letter of Credit referred to herein shall be deemed to refer to the Bank of America or any successor.

6. Article II(a) is hereby amended to read:

Amended Purchase Price. The Buyer shall pay the sum of $44,672,690 (Forty−Four Million Six Hundred Seventy−Two Thousand Six Hundred Ninety Dollars) as the Amended Purchase Price to SENESCO for the design and construction of the Barge and the Tug and in consideration of SENESCO's installation of BFE&S. The estimated cost of BFE&S is $6,963,929.00 (Six Million Nine Hundred Sixty−Three Thousand Nine Hundred Twenty Dollars), as adjusted. The Total Project Cost for the Barge, the Tug and the BFE&S is accordingly $51,636,619 (Fifty−One Million Six Hundred Thirty−Six Thousand Six Hundred Nineteen Dollars).

7. The first sentence of Article II(b) is hereby amended to read:

> Buyer will pay SENESCO the Amended Purchase Price in accordance with the Amended Milestone Payment Schedule included as Appendix 3a which shall incorporate, among other things: (a) additional Milestone Payments of $7,000,000 (Seven Million Dollars) to reflect the Amended Purchase Price. All such additional Milestone Payments shall be deemed part of the Amended Purchase Price as provided in Article II(a) hereof and Section 7 of the Summary of Terms, as amended, and shall not be treated as Change Orders for purposes of the application Article II (k) hereof. If at the time of the submission of the Amended Milestone Acceptance for Undocking as set forth in the Amended Milestone Payment Schedule (Appendix 3a), any production task shall not have been completed in the way of any of the integrity of the structural steel, the internals and deck steelwork and the application of all coatings (an "Uncompleted Task"), Buyer shall be entitled to withhold such Milestone Payment, as set forth in Appendix 3a, until such Uncompleted Task shall have been completed in accordance with this Agreement.

8. Article II(e) of the Agreement is amended to add the following:

> In arriving at their agreement to increase the Purchase Price by $7,000,000 (Seven Million Dollars) in this Amendment No. 3, Buyer has represented that the painting required by the Agreement and the Scope Documents (the "Paint Work") for the Barge can be performed for $3,198,950 (Three Million One Hundred Ninety−Eight Thousand Nine Hundred Fifty Dollars). In the event SENESCO is unable to renegotiate its agreement with its prospective subcontractor to perform the Paint Work for a price not exceeding the $3,198,950, Buyer shall provide a separate Paint Subcontractor (the "Buyer Designated Paint Subcontractor") and shall guarantee the performance and the price of Paint Work by the Buyer Designated Paint Subcontractor in accordance with the Amended Production Schedule and SENESCO shall contract with the Buyer Designated Paint Subcontractor to perform the Paint Work.
>
> If the Buyer Designated Paint Subcontractor shall fail to perform the Paint Work for $3,198,950 and/or the Paint Work shall fail to conform to the Agreement and Scope Documents for Paint Work, Buyer shall be responsible to

pay SENESCO the difference between $3,198,950 and the cost of completion of the Paint Work and shall be subrogated to all rights of SENESCO with respect to the enforcement of its rights under its subcontract with the Buyer Designated Paint Contractor in the name and stead of SENESCO.

For the avoidance of doubt, the Scope Documents shall be deemed to provide in respect of Section 8 of the Specifications for the Barge, COATINGS AND MARKINGS and the Material Protection Plan, Change Order #046−02 that:

a) Sherwin Williams will be the paint supplier for all tanks and surface areas except the cargo tanks;

b) ICI will be the paint supplier for the cargo tanks; and

c) The paint shall be applied using staging.

9. Article II(i) is hereby amended to add the following:

SENESCO and Buyer agree that all references in this Agreement, as amended, to "Sparrows Point" shall mean that certain shipyard now owned by SPS Limited Partnership LLLP and operated by BWI Sparrows Point LLC. SENESCO undertakes and warrants that Sparrows Point is located in a Foreign Trade Zone, i.e., FTZ #74A. In the event that Sparrows Point for any reason lacks such designation, SENESCO agrees to hold harmless, indemnify and/or reimburse Buyer for any and all sales, use or other taxes, or Customs duties or government imposts of any kind applicable to the Tug and/or the Barge and/or BFE&S by reason of the absence of any Foreign Trade Zone benefits.

10. Article II(k) of the Agreement is amended to add the following paragraph:

None of the changes provided by this Amendment No. 3, including the increase of $7,000,000 (Seven Million Dollars) to comprise the Amended Purchase Price, or any of the new milestones added to Appendix 3 to comprise Appendix 3a shall be deemed to be a Change Order for purposes of the application of this Article II(k).

11. Article III(a) of the Agreement is hereby amended to add the following:

Prior to the date of this Amendment No. 3, SENESCO shall have furnished Buyer with the form of proposed agreement with Sparrows Point and the execution of this Amendment No. 3 shall be deemed to signify Buyer's approval thereof.

Within thirty (30) days after the Construction Transfer Date, SENESCO will obtain the written waiver or release of lien or consent of any and all lienholders, mortgagees, subcontractors, and materialmen, having in the aggregate individual contracts or liens of any kind in the amount of $100,000 or more to the Construction Transfer and the dispatch of the Tug to Sparrows Point for purposes of sea trials. The written waiver of lien or consent shall be in form reasonably satisfactory to Buyer's counsel. SENESCO will further perform any acts reasonably requested by Buyer and execute any and all documents required to record Buyer's lien encumbering the ATB, including BFE&S, in the State of Rhode Island and Town of North Kingston, Rhode Island; the State of Maryland and City of Baltimore; and the State of Delaware and County of Kent; and SENESCO hereby authorizes Buyer to file any and all documents, instruments, and writings necessary or desirable for Buyer to perfect such lien. In the event that any lienholders, mortgagees, subcontractors, and materialmen having a secured interest in the "Work in Progress," as hereinafter defined, (collectively, a "lienholder") shall refuse to release its lien or consent to the Construction Transfer, Buyer shall have the right to apply any Milestone Payment or a portion thereof to satisfy or bond the claim of such lienholder.

12. Article III(b) is hereby amended to provide for delivery of the ATB to Buyer at Sparrows Point, as follows:

SENESCO warrants that Sparrows Point has sufficient water depth to assure access in a fully laden condition of the ATB to navigable waters in the open sea.

13. Article III(d) is hereby amended to add in the fifth line after "any" the word "remaining."

14. Article IV(a). The Delivery Date is hereby amended to November 30, 2006.

15. Article IV(b) is hereby amended to read:

> Liquidated Damages. In case of any delay in delivery of the ATB and said delay is not excused or relieved under provision of this Agreement, as amended, SENESCO agrees to pay Buyer from the Amended Barge Letter of Credit as liquidated damages ("Liquidated Damages") for delay of delivery at the following rate: $30,000 (Thirty Thousand Dollars) per day for each of the first sixty six (66) calendar days of unexcused or unrelieved delay to a maximum of $1,980,000 (One Million Nine Hundred Eighty Thousand Dollars). At any time, Buyer may draw from the Amended Barge Letter of Credit for any amount of Liquidated Damages then due and owing. Thereafter, Buyer shall be entitled to draw on the Amended Barge Letter of Credit for the aggregate of all costs incurred by Buyer to complete the construction of the ATB at SENESCO or Sparrows Point or a facility other than such facilities in accordance with the plans and specifications accepted by the parties.

16. The first sentence of Article IV(c) is amended to read as follows:

> c. Permissible Delay. Notwithstanding the Delivery Date, SENESCO shall not be liable for any default hereunder or delay in the construction of the ATB, or the performance of the terms, covenants and conditions on its part to be performed hereunder, if such default, delay or non−performance are caused by or are due to any occurrence or contingency beyond SENESCO's control or are caused by the delay or default or non−performance of any supplier or manufacturer, other than the Tug manufacturer, with whom SENESCO may contract to furnish and/or deliver any materials, equipment, machinery or labor necessary in the construction of the ATB (provided that SENESCO has ordered such materials, equipment, machinery or labor in a timely manner), including force majeure, wars, sabotage, bombing, fires, strikes, riots, floods, insurrection, earthquakes, Acts of God, weather severe enough to make impracticable the use of temporary shelters to allow outside welding or painting, hurricanes, delays in transportation, adverse weather conditions which preclude the conducting

of sea trials as described in Article III f., delays by Buyer in granting its approval for the Construction Transfer to Sparrows Point beyond November 4, 2005, delays which are the consequence of SENESCO's exercising of its rights under Article VIII (b), loss of utilities, blockades, embargoes, terrorism acts, demands or requirements of the United States Government or any State or political subdivision thereof, or occasioned by command, restraint, condemnation or acquisition by the United States Government or any political subdivision thereof; provided, however, that as soon as any such cause is removed and no longer exists, except as may be herein otherwise set forth, SENESCO shall thereupon continue, carry on and perform the covenants, conditions of this Agreement on SENESCO's part to be performed. SENESCO shall promptly notify Buyer in writing within two (2) business days of the occurrence of any event of force majeure together with a good faith estimate of the possible delay.

17. Article IV(d) is hereby deleted in its entirety.

18. Article V(a) is hereby amended to add in the second line after "SENESCO Shipyard," "Sparrows Point and Derecktor."

After the last sentence in said Article, the following shall be added:

> Notwithstanding anything herein to the contrary, in the event that the Inspector shall be in attendance at the SENESCO Shipyard or Sparrows Point or Derecktor and the Inspector, upon reasonable inquiry, to the SENESCO office at such location is able to ascertain that the SENESCO Project Manager is available to confer at such location in the ensuing four (4) hours on any business day, the Inspector and the Project Manager shall confer as to any alleged nonconformity, and if they are unable to resolve the matter of the nonconformity at such meeting, either the Inspector or the SENESCO Project Manager shall request a further meeting not later than two (2) business days following their initial meeting, and the Inspector shall furnish to the Project Manager at that time a written notice of nonconformity as hereinabove provided.

19. In Article VII(a)(i), the following shall be added to the end of the subparagraph:

> SENESCO shall not be responsible for any failure of the ATB to meet her guaranteed speed and consumption performance warranties if such failure results from the application of ABS safe hull requirements.

20. In Article VII(b)(iii), the following shall be added at the end of the paragraph:

> The term "Shipyard" shall mean SENESCO's Rhode Island facility and/or Sparrows Point and/or Derecktor and there shall be no requirement, unless agreed by the parties for technical reasons, that both the Tug and the Barge shall each be taken to the same facility until sea trials.

21. In Article VIII(a)(viii), the period of stopped work shall be amended to ten (10) business days in lieu of twenty−one (21) business days, provided, however, work stopped as a consequence of the Construction Transfer, or for the two week Christmas facility closing will not constitute a default.

22. In Article VIII(a) the following shall be added to the end of the subparagraph:

> In the event that Buyer elects to arrange for completion of the construction of the ATB, the Buyer shall endeavor to cause the completion of the construction of the ATB to be effected in a cost effective and cost efficient manner consistent with the drawings and specifications accepted by the parties, provided that nothing herein shall limit or restrict the Buyer's right to draw from time to time under the Amended Barge Letter of Credit or the Amended Tug Letter of Credit, as the case may be, applicable to each vessel, to reimburse the Buyer for all costs incurred by the Buyer to complete such construction. To facilitate completion and to mitigate damages, SENESCO shall transfer, convey and assign (collectively the "Transfers") to the Buyer all subcontracts, SENESCO provided materials, components, equipment and Builder's Property and all agreements for use of Sparrows Point ("Work in Progress"). In the event that the Work in Progress shall be subject to other liens, encumbrances or other restrictions on transfers or assignments not previously dealt with herein ("Restrictive Rights"), SENESCO shall provide any written consents or other documentation required from the beneficiaries of the Restrictive Rights to effect such Transfers.

23. Article XI(g) is hereby amended to read:

(i) Ownership and use of Software, Drawings and Models. In consideration of the Amended Purchase Price, within thirty (30) days of the payment of that portion of the Amended Purchase Price due on execution of this Amendment No. 3, all plans, specifications and drawings of any kind, including detailed construction drawings, model basin results and data, all modifications to the original lines plan and appurtenances to enable the ATB to achieve its Guaranteed Speed, all ownership or license rights in any models at Hamburg, Germany or elsewhere, all correspondence, technology and licenses related thereto and all software, including the N.C. software, whether in hard copy or electronic format to the extent then completed, partially completed, in development or as and when developed or completed, (collectively, "Builder's Property") shall be conveyed by SENESCO to Buyer, together with all ownership, copyright and/or license rights in such Builder's Property. SENESCO shall retain copies or duplicate originals of all of Builder's Property sufficient to complete and deliver the ATB. SENESCO shall convey, deliver and transfer to Buyer all of SENESCO' right, title, and interest by way of copyright, license or other reserved rights or by way of contract, common law or statutory law. SENESCO shall authorize Buyer to correspond directly with the model basin entity in Hamburg, Germany. Upon conveyance of the Builder's Property to Buyer, Buyer shall have full and exclusive use of Builder's Property to build the ATB or for any other reason, subject, however, to any retained royalty rights of the naval architect. In the event that Builder's Property shall be subject to a license from any third party licensor, Buyer shall pay and/or indemnify SENESCO for any and all license fees and royalties applicable to Buyer's use and Buyer shall have the right to negotiate exclusively with such third party licensor to secure a novation or assignment of such license, and SENESCO shall cooperate fully in such regard and shall first have paid any license fees applicable thereto. Following the acceptance and delivery of the ATB, Buyer, subject to the consent of any third party licensor, shall have the exclusive use of all the Builder's Property for any reason including but not limited to the modification of the ATB or the design or construction of other vessels.

SENESCO shall warrant that at the time of acceptance and delivery of the ATB, SENESCO shall have paid all third party providers of Builder's Property. If SENESCO shall be unable to warrant same, or Buyer otherwise determines that such providers have not been paid for their services, Buyer shall be entitled to make such payment and either, at Buyer's sole option, withhold such amounts from the final installment of the Purchase Price and/or to draw upon the Amended Barge Letter of Credit as a Barge Draw Event (ii) or upon the Amended Tug Letter of Credit as a Tug Draw Event (i) for the amount required to satisfy SENESCO's obligation under this provision which obligation shall be deemed a cost of completing the ATB. SENESCO shall be entitled, however, to retain one (1) record set of Builder's Property in electronic format or hard copy and all copies of the Instruments of Service to be utilized by SENESCO solely for purposes of warranty work and any post delivery and acceptance work for which Buyer may contract with SENESCO. No consent of SENESCO shall be required by SENESCO for Buyer's use of Builder's Property. Submittal or distribution of Builder's Property to meet official regulatory requirements shall not be deemed to contravene this provision. In the event of a SENESCO Default resulting in the termination of this Agreement, as amended, Buyer shall be entitled to an exclusive license to employ Builder's Property to complete the ATB and SENESCO hereby grants Buyer a security interest in all of its rights, title and interest in the Builder's Property and the ATB to the extent of the Milestone Payments made, and SENESCO hereby authorizes Buyer to file any and all documents, instruments, and writings necessary or desirable for Buyer to perfect such security interest.

SENESCO shall not be responsible for the application of Builder's Property to any other vessel constructed on the basis of Builder's Property, and Buyer shall defend, hold harmless and indemnify SENESCO from any and all applications by Buyer of Builder's Property with respect to any vessel other than Hull No. 046.

(ii) SENESCO and Buyer agree and acknowledge that, with the transfer of the remaining construction work from SENESCO's Shipyard in Quonset Point to Sparrows Point, SENESCO will not be able to construct Barge Hull No. 047 for which Buyer has lodged a $1,000,000 (One Million Dollars) berth deposit with SENESCO (the "Berth

Deposit") and that the cost of the Construction Transfer is greater than originally estimated. Accordingly, it is agreed that the entire Berth Deposit shall be applied to the Purchase Price as a component of the Amended Purchase Price and shall be applied as a credit to the Milestone Payments as provided in Appendix 3a hereto. In consideration thereof, SENESCO hereby grants Buyer audit rights as to all accounting and expenditures incurred by SENESCO for the tugboat, barges and cranes (the "Major Costs") required for the Construction Transfer. The Major Costs are set out herein in Appendix 11. If the Major Costs are less than the amounts originally advised by SENESCO to Buyer, SENESCO will provide a credit, to Buyer to such extent, against the Amended Purchase Price. If the Major Costs are greater, as a result of Owner's failure to authorize SENESCO by November 4, 2005 to transfer the construction work to Sparrows Point, Buyer shall increase the Amended Purchase Price to include that additional amount and pay SENESCO such amount with the next milestone payment.

24. Article XI(h) is hereby amended to read:

Construction Transfer. The Tug shall continue to be constructed at Quonset Point and the Bow Assembly at Derecktor. Upon providing Buyer five (5) business days' notice but not later than five (5) calendar days after Buyer shall have given notice that this Amendment No. 3 is effective, SENESCO shall commence the Construction Transfer for all sections of the Barge by then fabricated at Quonset Point, and all steel at the SENESCO shipyard or any SENESCO subcontractor locations or storage points for the BFE&S purchased for the construction of the Barge, and all fittings, equipment, and appurtenances of the Barge, including but not limited to BFE&S to be shipped to Sparrows Point, at which place SENESCO shall continue construction of the Barge employing the services of subcontractors subject to approval by the Buyer and certified for welding operations by the ABS and approved by the USCG, if required. All transport of "Work in Progress" (as hereinafter defined) and BFE&S from SENESCO's or its subcontractor's locations shall be at SENESCO's sole risk, cost and expense and shall be accomplished by appropriate means, i.e. by water, rail or truck with due regard to the risks of weather and to avoid damage during transit. Prior to transit, SENESCO shall properly prepare the Work in Progress and BFE&S in a manner appropriate to the means of transportation selected, including but not limited to the installation of padeyes on the components of the Barge and other devices, as necessary, to permit the safe loading and unloading of the Work in Progress and the BFE&S. To the extent feasible BFE&S shall be transported by truck or rail and shall be appropriately protected while in transit. All costs of the Construction Transfer are included in the Amended Purchase Price. With its notice of intent to commence the Construction Transfer, SENESCO shall provide a list of all subcontractors for subcontracts in excess of $100,000 in the aggregate as to each such subcontractor to be engaged by SENESCO to complete the construction of the Barge at Sparrows Point. Buyer shall have five (5) days after the receipt of such list to consent in writing to each subcontractor, which consent shall not be unreasonably withheld. When circumstances so require and justify, Buyer shall have one (1) business day to provide or withhold its consent. Copies of all such proposed subcontracts shall be furnished with each such notice, if reasonably requested by Buyer. If Buyer fails to consent and such rejection is not unreasonable, SENESCO shall propose alternate subcontractors. At all times while continuing work on the Barge, the transport of Barge components to Sparrows Point and the continuation of construction of the Barge at Sparrows Point, SENESCO shall remain the prime contractor and responsible in all respects for the assembly, loading and unloading of the Barge components, the transport of the Barge components to Sparrows Point, and the continued construction of the Barge until the Barge is delivered to and accepted by the Buyer on the Delivery Date in accordance with this Agreement, as amended. SENESCO shall, to the extent technically reasonable, continue to perform work with its own or contracted employees at the SENESCO Shipyard or Sparrows Point Shipyard during the period of the Construction Transfer. SENESCO undertakes that at all times until the Tug and Barge are delivered to and accepted by Buyer, SENESCO shall assign senior managers (“Senior Managers”) to supervise and manage the construction of the Tug and Barge at SENESCO’s Shipyard, Sparrows Point, and subcontractor’s locations and that such Senior Managers shall attend such locations and shall devote such diligence, time, effort and attention to the construction of the ATB as required by “good shipping practice.” The assignment of such Senior Managers shall be subject to Buyer’s approval which approval shall be made promptly and not be unreasonably withheld.

SENESCO shall be responsible throughout and until the delivery and acceptance of the ATB to procure, provide, and maintain in effect all policies of insurance set out in Article VI(b) of this Agreement and to secure at SENESCO's sole expense, all amendments, endorsements, and modifications necessary to insure the Barge, its components and the BFE&S at the SENESCO shipyard, subcontractor shipyards and any other storage locations and during transport to Sparrows Point and during construction at Sparrows Point on the same terms and conditions and with the same limits as if the Barge were to be completed at the SENESCO Shipyard, except for the following:

Without limiting any provision of this Agreement as to insurance as hereinabove provided, SENESCO shall provide insurance on such terms and conditions equal or equivalent to the Builder's risk policy maintained by SENESCO for the Barge together with Charterers' Liability and/or any other appropriate insurance covering the means of transport of the Barge components and BFE&S, including protection and indemnity cover for wreck removal, collision and any similar liability, including if any of the Barge components shall have been damaged and/or lost overboard aboard the carrying vessel or any carrying vessel shall sink, and any loss or damage occurring during loading, transport and discharge by truck or rail. Prior to the Construction Transfer, SENESCO shall provide to Buyer copies of all certificates of insurance applicable to the transport and continuation of construction at Sparrows Point, or if any such policy be an existing policy, such policies shall be duly endorsed to cover the loading, transport, discharge and change in place of construction, as provided by this Amendment. A list of all such insurance policies covering the Construction Transfer and continuation of construction of the Barge at Sparrows Point is set out in Appendix 10 hereto. Buyer shall be named as an additional assured on all such policies including those policies required to be maintained by SENESCO under any charter party related to the Construction Transfer.

In the event that there shall be reasonable concern on the part of the Buyer after reviewing the insurance policies and endorsements provided by SENESCO, Buyer may require SENESCO to produce reasonable evidence from SENESCO's insurance brokers confirming the scope of cover or procure replacement or supplementary insurance at SENESCO's sole cost.

All risks, costs and expenses of the transport of the Barge components and BFE&S to Sparrows Point shall be borne by SENESCO. Such transport shall be conducted pursuant to contracts in form approved by Buyer and any bills of lading issued shall be issued in form approved by Buyer shall be marked "Freight Pre−Paid." Each carrier of the Barge components shall be required to deliver a release of lien as to the Barge components and BFE&S.

Prior to the arrival of any of the Barge components and BFE&S at Sparrows Point, SENESCO shall deliver to Buyer consents to the transfer and waivers from the owners and operators of the Sparrows Point facility of any mechanics or possessory liens, whether arising by statute, common law or in admiralty, against the Barge components, including BFE&S, and the Barge. In the case of any subcontractors with aggregate contracts in excess of $100,000 (One Hundred Thousand Dollars), SENESCO shall procure similar consents and waivers as respects the Barge components, BFE&S and the Barge. To the extent that SENESCO has pledged any of the Barge components or the Barge or the proceeds of any Milestone Payments made by the Buyer, SENESCO shall procure a release of any such recorded lien against the Barge components and/or the Barge to the extent of the sum of all Milestone Payments made by the Buyer up to and including delivery of the Barge components to an ocean carrier for transport. To the extent there shall be owed by SENESCO to any secured lender or other secured party an aggregate amount in excess of Milestone Payments received by SENESCO from Buyer to the date of transport, SENESCO shall obtain from each such secured party such party's written consent to the transfer of the construction of the Barge to Sparrows Point and release of its lien, if any, against the Barge components or the Barge. To the extent that such secured lien or security interest shall secure obligations with respect to any unpaid Milestone Payments, Buyer shall consent to the delivery by SENESCO to such secured party, any security filing or other instrument to enable such secured party to maintain an equivalent security interest in the Barge components and/or the Barge until the acceptance and delivery of the Barge from Sparrows Point in accordance with this Agreement as modified by this Amendment.

Any failure of SENESCO to comply with the covenants and terms and conditions of this Article XI(h), after five (5) business days notice thereof shall constitute a "SENESCO Default" for purposes of Article VIII(a) of this Agreement.

25. There shall be added to Article XI a further paragraph (i) as follows:

Buyer's Right to Complete Construction of the ATB. If SENESCO shall not have completed construction of the ATB and tendered it for delivery to the Buyer in accordance with the terms of the Agreement, as amended, by the date which is sixty−six (66) calendar days of unexcused or unrelieved delay after the Delivery Date, the Buyer shall have the right, but not the obligation, to arrange for the completion of construction of the ATB at the SENESCO Shipyard and/or at Sparrows Point or at any other U.S. Shipyard selected by the Buyer. In such event, the Buyer shall endeavor to cause the completion of the construction of the ATB to be effected in a cost effective and cost efficient manner consistent with the drawings and specifications accepted by the parties, provided that nothing herein shall limit or restrict the Buyer's right to draw from time to time under the Amended Barge Letter of Credit or the Amended Tug Letter of Credit, as the case may be, applicable to each vessel, to reimburse the Buyer for all costs incurred by the Buyer to complete such construction. To facilitate completion and to mitigate damages, SENESCO shall transfer, convey and assign to the Buyer the Work in Progress. In the event that the Work in Progress shall be subject to Restrictive Rights, SENESCO shall provide any written consents or other documentation required from the beneficiaries of the Restrictive Rights to effect such Transfers.

26. There shall be added to Article XI a further paragraph (j), as follows:

No Other Changes or Modifications. Each of SENESCO and Buyer acknowledges and affirms that except as made by this Amendment, there are no other changes or modifications to the Agreement and that any other changes and modifications to the Agreement shall be made only by way of further amendment.

27. There shall be added to Article XI a further paragraph (k), as follows:

> Resolution of all Prior Disputes, Controversies, Claims and Notices thereof. In consideration of the Amended Purchase Price and this Amendment No. 3, disputes, controversies, claims and notices thereof existing between the parties and arising from or out of the Agreement prior to the date hereof shall be deemed to have been settled, resolved or withdrawn, as the case may be, by this Amendment No. 3.

28. Article IVc, Permissible Delay, shall be amended by adding the following provision:

> Any dispute or difference between the parties regarding an event of Permissible Delay shall be resolved by convening a conference of independent shipbuilding professionals designated by each party. Within fifteen (15) days after the execution of this Amendment, each party shall designate its representative to the other who may, subject to reasonable grounds, object to that appointment. The purpose of the conference shall be to attempt to amicably resolve any and all disputes as to the occurrence of permissible delay and the time attributable thereto. If the representatives are unable to resolve any such dispute, the parties hereby appoint Charles R. Cushing as the impartial umpire (the "Umpire") to confer with each representative and to render a decision with respect to whether an event of Permissible Delay has occurred and the duration of such Permissible Delay. The Umpire shall have ten (10) business days after the referral of such dispute to render his or her decision. There shall be no requirement that the decision of the Umpire be "reasoned." In the event that the Umpire is not available to resolve the dispute or is unable to do so within the time provided, Joseph Cuneo is appointed as the alternate Umpire. The decision of the Umpire, if contested by either party, shall be submitted to arbitration in accordance with Articles 10(b) and (c) of this Agreement. Pending decision by the Umpire, Buyer may not draw on the Barge Letter of Credit for Liquidated Damages.

29. This Amendment No. 3 shall not be in effect unless and until SENESCO has received written notice from Buyer that Buyer's Board has authorized and approved this Amendment No. 3 and the first two Milestone Payments of $50,000 and $3,950,000 respectively referenced in Appendix 3a have been paid.

30. This Amendment No. 3 may be executed in counterparts and when executed shall comprise one agreement.

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31. Except as amended by this Amendment No. 3, all of the terms and conditions of the Agreement shall remain unchanged and in full force and effect.

**IN WITNESS WHEREOF,** the parties have executed this Amendment No. 3 as of the date hereabove written.

WITNESSES:

USCS ATB LLC

By: /s/ JOSEPH P. GEHEGAN

Joseph P. Gehegan
Its: Chief Operating Officer

By: /s/ ALAN E. COLLETTI

Alan E. Colletti
Its: Vice President of Operations

Southeastern New England Shipbuilding Corporation d/b/a SENESCO Marine

By: /s/ FREDERICK G. FROST, III

Frederick G. Frost, III
Its: Chief Executive Officer

Consented To:

UNITED STATES CHEMICAL SHIPPING LLC, as Guarantor

By:

TABLE OF APPENDICES

APPENDIX 3a

AMENDED MILESTONE PAYMENT SCHEDULE

Barge

PART 1—In Connection with the Execution of Amendment No. 3

| | | |
|---|---|---|
| Buyer's notice of Board Approval | $ | 50,000.00 |
| To be paid on provision of all of the following in form satisfactory to Buyer: | | |
| (a) On execution and delivery to Buyer of original executed Sublease Agreement for Sparrows Point; | | |
| (b) Amended Letters of Credit with issuer's transfer consents; | | |
| (c) Executed Barge Charter Party for Construction Transfer; | | |
| (d) Evidence of Insurance required by Article I(f); | | |
| (e) Evidence of Insurance required by Article XI(h) | $ | 3,950,000.00 |
| Upon delivery of Barge to Sparrows Point<br>($500,000 of which is to be paid by Berth Credit) | $ | 1,000,000.00 |
| Delivery of Lien Waivers or Consents<br>Required by Paragraph 12 | $ | 1,000,000.00 |
| SENESCO's representative certificate that Blocs 2 & 3 are assembled and are in a position for building<br>($500,000 of which is to be paid by Berth Credit) | $ | 1,000,000.00 |
| Subtotal | $ | 7,000,000.00 |

APPENDIX 3a
(continued)

PART 2

**046 Revised Milestone Schedule**

| Milestone | Amount | Expected Date |
|---|---|---|
| Master Butt 8/9 | $ 722,547 | 1/19/06 |
| Master Butt 6/7 | $ 722,547 | 1/24/06 |
| Erect Cofferdam Mod 7 | $ 361,273 | 2/1/06 |
| Erect Long Bhd Mod 7&8 | $ 361,273 | 2/9/06 |
| Erect Cofferdam 9 | $ 361,273 | 2/20/06 |
| Erect Mod 7 Wings P&S | $ 361,273 | 2/28/06 |
| Erect Mod 8 Wings P&S | $ 722,547 | 3/16/06 |
| Erect Mod 6 Wings P&S | $ 722,547 | 3/27/06 |
| Erect Mod 9 Wings p&s | $ 361,273 | 4/4/06 |
| Erect mod 5 Wings P&S | $ 361,273 | 4/4/06 |
| Erect 4 Wings P&S | $ 361,273 | 4/12/06 |
| Erect Mod 10 Wings P&S | $ 361,273 | 4/20/06 |
| Erect Mod 3 Wings P&S | $ 289,019 | 5/1/06 |
| Erect Main Deck Mod 3 | $ 289,019 | 5/1/06 |
| Erect Mod 11 Wing P&S | $ 289,019 | 5/9/06 |
| Erect Mod 12 Wings P&S | $ 289,019 | 5/25/06 |
| Erect Lower Bow | $ 289,019 | 5/25/06 |
| Erect Mid Section Bow | $ 722,547 | 6/5/06 |
| Install Manifold Module | $ 722,547 | 6/20/05 |
| Erect Upper Bow | $ 722,547 | 7/10/06 |
| Install Vents, Sounds Overflows tk 1 | $ 722,547 | 7/26/06 |
| Erect Stern Sections | $ 240,849 | 8/3/06 |
| Air Test Tank 1 Cargo / Ballast | $ 240,849 | 8/3/06 |
| Shoot / Install Cargo Pump Trunks tk 5 | $ 240,849 | 8/14/06 |
| Install Vents, Sounds, Overflows tk 5 | $ 240,849 | 8/22/06 |
| Air Test Tank 5 Cargo / Ballast | $ 240,849 | 8/30/06 |
| Blast paint #1 Cargo and Ballast Tanks | $ 240,849 | 8/30/06 |
| Blast paint #5 Cargo and Ballast Tanks | $ 722,547 | 9/26/06 |
| Undock | $ 722,547 | 9/27/06 |
| Hydro Cargo Tanks / Ballast Tanks | $ 1,445,094 | 10/16/06 |
| Test & Trials, Final Outfit | $ 481,698 | 11/20/06 |
| Sea Trials | $ 481,698 | 11/22/06 |
| Clean and Final Sell | $ 481,698 | 11/30/06 |
| **Total** | **$ 15,896,029** | |

APPENDIX 3a
(continued)

Tug

**USCS ATB, LLC − PROGRESS PAYMENT SCHEDULE − TUG #318**

| Milestone Description | Proposed Milestone Value | |
|---|---|---|
| Signing Tug Contract | 1,551,750.00 | −−Paid |
| Per Amendment 1 Item L | 155,000.00 | −−Paid |
| Lay Tug Keel | 1,344,850.00 | −−Paid |
| Erection of Frames Bow / Bhds Tug Unit | 448,283.33 | −−Paid |
| Erection of Frame Stern | 448,283.33 | −−Paid |
| Erection of Frame Midbody | 448,283.34 | −−Paid |
| Complete Skeg Welding (ready to receive stern tubes) | 336,212.50 | |
| Install & Align Stern Tubes | 336,212.50 | |
| Land Reduction Gears (with rough alignment to stern tube) | 336,212.50 | |
| Land Main Engines (with rough alignment to reduction gears) | 336,212.50 | |
| Align & Fit Up Modules 1,2,3,10,11 | 672,425.00 | |
| Complete Plate & Weld (from keel to main deck) | 672,425.00 | |
| Launch Tug | 1,344,850.00 | |
| Completion of Tug | 2,069,000.00 | |
| **Total #318** | **10,500,000.00** | |

APPENDIX 3b

AMENDED PRODUCTION SCHEDULE

| Task Name | Duration | Start Date | Finish Date |
|---|---|---|---|
| Sign Agreement | 1 day? | 11/15/2005 | 11/16/2005 |
| Sign Agreement on Drydock Rental | 1 day? | 11/16/2005 | 11/17/2005 |
| Install padeyes / cut mods 9 /10 | 5 days | 11/16/2005 | 11/28/2005 |
| Obtain barge | 5 days | 11/16/2005 | 11/28/2005 |
| Load out Barge | 5 days | 11/28/2005 | 12/6/2005 |
| Set Up Blocking for barge in Drydock | 10 days | 11/17/2005 | 12/7/2005 |
| Tow to Baltimore | 5 days | 12/6/2005 | 12/14/2005 |
| Offload In Baltimore | 3 days | 12/15/2005 | 12/20/2005 |
| Erect Modules 7,8, in graving dock | 1 day | 12/20/2005 | 12/21/2005 |
| Erect Modules 9,10 in graving dock | 1 day | 12/22/2005 | 12/26/2005 |
| Erect modules 11,11A, 12 in graving dock | 1 day | 12/26/2005 | 12/27/2005 |
| Erect Modules 5,6 in graving dock | 1 day | 12/27/2005 | 12/28/2005 |
| Erect Module 4 in graving dock | 1 day | 12/28/2005 | 12/29/2005 |
| Erect Module 3 in graving dock. | 1 day | 12/30/2005 | 1/2/2006 |
| Assembly Mod 3 Main Deck | 10 days | 12/22/2005 | 1/10/2006 |
| Assembly Mod 4 main Deck | 10 days | 12/22/2005 | 1/10/2006 |
| Assembly Mod 5 main Deck | 10 days | 12/22/2005 | 1/10/2006 |
| Assembly Mod 6 main Deck | 10 days | 12/22/2005 | 1/10/2006 |
| Assembly Mod 10 main Deck | 10 days | 12/22/2005 | 1/10/2006 |
| Assembly Mod 11 main Deck | 10 days | 12/22/2005 | 1/10/2006 |
| Assembly Mod 12 main Deck | 10 days | 12/22/2005 | 1/10/2006 |
| Master Butt 8/9 | 15 days | 12/27/2005 | 1/23/2006 |
| Master Butt 10/11 | 15 days | 12/27/2005 | 1/23/2006 |
| Assembly Mod 12 wings | 20 days | 12/22/2005 | 1/26/2006 |
| Assembly Mod 6 Wings | 20 days | 12/22/2005 | 1/26/2006 |
| Assembly Mod 5 Wings | 20 days | 12/22/2005 | 1/26/2006 |
| Assembly Mod 4 Wings | 20 days | 12/22/2005 | 1/26/2006 |
| Assembly 3 Wings | 20 days | 12/22/2005 | 1/26/2006 |
| Master Butt 6/7 | 15 days | 12/28/2005 | 1/24/2006 |
| Master Butt 4/5 | 15 days | 12/30/2005 | 1/25/2006 |
| Erect Cofferdam Mod 7 | 15 days | 1/6/2006 | 2/1/2006 |
| Assembly Mod 5 C/Dam | 30 days | 12/22/2005 | 2/14/2006 |
| Erect Long Bhd Mod 7&8 | 15 days | 1/16/2006 | 2/9/2006 |
| Erect Cofferdam 9 | 15 days | 1/24/2006 | 2/20/2006 |
| Master Butt 3/4 | 15 days | 1/25/2006 | 2/21/2006 |
| Erect Long Bhd 9 & 10 | 15 days | 2/1/2006 | 2/28/2006 |
| Erect long Bhd 5 & 6 | 15 days | 2/1/2006 | 2/28/2006 |
| Erect Mod 7 Wings p & s | 15 days | 2/1/2006 | 2/28/2006 |
| Fab & Assemble above dk pipe 41−49 | 10 days | 2/24/2006 | 3/14/2006 |
| Erect Cofferdam mod 11 | 15 days | 2/10/2006 | 3/8/2006 |
| Erect Cofferdam Mod 5 | 15 days | 2/14/2006 | 3/13/2006 |

| Task Name | Duration | Start Date | Finish Date |
|---|---|---|---|
| Erect Long Bhd 11/12 | 15 days | 2/20/2006 | 3/16/2006 |
| Erect Mod 8 Wings p & s | 15 days | 2/20/2006 | 3/16/2006 |
| Erect main deck Mod 7 | 10 days | 2/28/2006 | 3/16/2006 |
| Erect Long Bhds 3 & 4 | 15 days | 2/22/2006 | 3/21/2006 |
| Assemble Hose racks | 20 days | 2/24/2006 | 3/30/2006 |
| Erect Mod 6 Wings P&S | 15 days | 2/28/2006 | 3/27/2006 |
| Erect Main Deck Mod 6 | 10 days | 3/8/2006 | 3/27/2006 |
| Fab / Assy Above dk pipe racks 36−41 | 15 days | 3/14/2006 | 4/10/2006 |
| Fab/Assy above dk pipe rack 24−36 | 10 days | 3/22/2006 | 4/10/2006 |
| Erect Mod 9 Wings p&s | 15 days | 3/8/2006 | 4/4/2006 |
| Erect mod 5 Wings P&S | 15 days | 3/8/2006 | 4/4/2006 |
| Erect Main Deck Mod 8 | 10 days | 3/17/2006 | 4/4/2006 |
| Erect Main Deck Mod 5 | 10 days | 3/17/2006 | 4/4/2006 |
| Assemble tankermans House | 30 days | 2/24/2006 | 4/18/2006 |
| Install pipe rack fr 24−36 | 5 days | 4/10/2006 | 4/18/2006 |
| Assembly handrails / spillrail | 30 days | 2/24/2006 | 4/18/2006 |
| Erect 4 Wings p & s | 15 days | 3/17/2006 | 4/12/2006 |
| Erect Main Deck Mod 9 | 10 days | 3/27/2006 | 4/12/2006 |
| Erect Main Deck Mod 4 | 10 days | 3/27/2006 | 4/12/2006 |
| Shoot / install cargo pump trunks tk 2 | 5 days | 4/4/2006 | 4/12/2006 |
| Fab/Assy above dk pipe rack fr 16−24 | 15 days | 3/31/2006 | 4/26/2006 |
| Fab/Assy above dk pipe fr 24−6 | 10 days | 4/10/2006 | 4/26/2006 |
| Install Winch Found fr 19 | 4 days | 4/12/2006 | 4/19/2006 |
| Erect Mod 10 Wings p & s | 15 days | 3/27/2006 | 4/20/2006 |
| Erect Main Deck Mod 10 | 10 days | 4/4/2006 | 4/20/2006 |
| Shoot/Install cargo pump trunks tk 3 | 5 days | 4/12/2006 | 4/20/2006 |
| Install vents, sounds, overflows tk 2 | 10 days | 4/4/2006 | 4/20/2006 |
| Install Wich fr 19 | 4 days | 4/19/2006 | 4/26/2006 |
| Assembly Stern | 75 days | 12/26/2005 | 5/4/2006 |
| Fab ballast system | 60 days | 1/20/2006 | 5/4/2006 |
| Install handrails Mod 5 mn Deck | 10 days | 4/18/2006 | 5/4/2006 |
| Install handrails Mod 6 mn Deck | 10 days | 4/18/2006 | 5/4/2006 |
| Install handrails Mod 7 mn Deck | 10 days | 4/18/2006 | 5/4/2006 |
| Install handrails Mod 8 mn Deck | 10 days | 4/18/2006 | 5/4/2006 |
| Erect Mod 3 Wings p & s | 15 days | 4/4/2006 | 5/1/2006 |
| Erect Main Deck Mod 3 | 10 days | 4/12/2006 | 5/1/2006 |
| Install handrails Mod 4 mn Deck | 10 days | 4/18/2006 | 5/4/2006 |
| Install handrails Mod 9 mn Deck | 10 days | 4/18/2006 | 5/4/2006 |
| Install hatches, cleats, hot work 26−35 | 15 days | 4/4/2006 | 5/1/2006 |
| Assembly breakwaters | 30 days | 3/20/2006 | 5/10/2006 |
| Outfit tankermans house | 30 days | 3/22/2006 | 5/15/2006 |
| Install Winch Found fr 12 | 4 days | 5/1/2006 | 5/8/2006 |
| Erect Mod 11 Wing P&S | 15 days | 4/12/2006 | 5/9/2006 |
| Erect Main Deck Mod 11 | 10 days | 4/21/2006 | 5/9/2006 |
| Install vents, sounds, overflows tk 3 | 10 days | 4/21/2006 | 5/9/2006 |
| Install handrails Mod 10 mn Deck | 10 days | 4/21/2006 | 5/9/2006 |

| Task Name | Duration | Start Date | Finish Date |
|---|---|---|---|
| Install hatches, cleats, hot work fr 17−26 | 15 days | 4/12/2006 | 5/9/2006 |
| Install Cranes | 5 days | 5/1/2006 | 5/9/2006 |
| Install Ladders, platforms, pipe Tk 2 P&S | 15 days | 4/12/2006 | 5/9/2006 |
| Install Ladders, platforms, pipe Tk 3 P&S | 15 days | 4/12/2006 | 5/9/2006 |
| Install Winch fr 12 | 4 days | 5/8/2006 | 5/15/2006 |
| Assemble main deck house | 60 days | 2/7/2006 | 5/23/2006 |
| Assemble manifold module | 60 days | 2/7/2006 | 5/23/2006 |
| Shoot/Install cargo pump trunks tk 4 | 5 days | 5/9/2006 | 5/17/2006 |
| Air Test Tank 3 Cargo / ballast | 5 days | 5/9/2006 | 5/17/2006 |
| Install Pipe rack fr 36−41 | 15 days | 4/21/2006 | 5/17/2006 |
| Install handrails Mod 3 mn Deck | 10 days | 5/1/2006 | 5/17/2006 |
| Install hatches, cleats, hot work fr 35−41 | 15 days | 4/21/2006 | 5/17/2006 |
| Install Ladders, platforms, pipe Tk 4 P&S | 15 days | 4/21/2006 | 5/17/2006 |
| Erect Mod 12 wings P&S | 15 days | 5/1/2006 | 5/25/2006 |
| Erect Main Deck Mod 12 | 10 days | 5/9/2006 | 5/25/2006 |
| Erect Lower bow | 20 days | 4/21/2006 | 5/25/2006 |
| Install vents, sounds, overflows tk 4 | 10 days | 5/9/2006 | 5/25/2006 |
| Install ballast piping Ford Wings | 15 days | 5/1/2006 | 5/25/2006 |
| Install handrails Mod 11 mn Deck | 10 days | 5/9/2006 | 5/25/2006 |
| Install Ladders, platforms, pipe Tk 1 P&S | 15 days | 5/1/2006 | 5/25/2006 |
| Erect tankermans house | 15 days | 5/15/2006 | 6/8/2006 |
| Install Winch found fr 49 | 4 days | 5/26/2006 | 6/1/2006 |
| Erect Mid Section Bow | 15 days | 5/9/2006 | 6/5/2006 |
| Air Test Tank 4 Cargo / ballast | 5 days | 5/26/2006 | 6/5/2006 |
| Install hatches, cleats, hot work fr 6−17 | 20 days | 5/1/2006 | 6/5/2006 |
| Erect inert Gas Generator house | 5 days | 5/26/2006 | 6/5/2006 |
| Erect Breakwaters | 20 days | 5/10/2006 | 6/14/2006 |
| Install Winch fr 49 | 4 days | 6/2/2006 | 6/8/2006 |
| Outfit Deckhouse incl pipe, founds, cableways | 45 days | 3/31/2006 | 6/19/2006 |
| Air Test Tank 2 cargo / ballast | 5 days | 6/5/2006 | 6/13/2006 |
| Install ballast piping wings fr 34−46 | 30 days | 4/21/2006 | 6/13/2006 |
| Install Pipe rack fr 41−49 | 10 days | 5/26/2006 | 6/13/2006 |
| Install handrails Mod 12 mn Deck | 10 days | 5/26/2006 | 6/13/2006 |
| Install ballast System, IB | 60 days | 3/14/2006 | 6/27/2006 |
| Install manifold module | 20 days | 5/23/2006 | 6/27/2006 |
| Install hatches,cleats, hot work fr 41−49 | 15 days | 5/26/2006 | 6/21/2006 |
| Install Ladders, platforms, pipe Tk 5 P&S | 15 days | 5/26/2006 | 6/21/2006 |
| Blast paint #3 cargo, cd7 and ballast tanks | 15 days | 6/9/2006 | 7/5/2006 |
| Blast paint #4 cargo, cd 11 and ballast tanks | 15 days | 6/5/2006 | 6/29/2006 |
| Erect main Deck House | 10 days | 6/19/2006 | 7/5/2006 |
| Air Test ballast System | 10 days | 6/27/2006 | 7/13/2006 |
| Erect Upper Bow | 30 days | 5/17/2006 | 7/10/2006 |
| Blast paint #2 cargo and ballast tanks | 15 days | 6/13/2006 | 7/10/2006 |
| Air Test Bow | 2 days | 7/10/2006 | 7/12/2006 |
| Install electrical equipment Tank house | 30 days | 5/31/2006 | 7/24/2006 |
| Shoot / install cargo pump trunks tk 1 | 5 days | 7/10/2006 | 7/18/2006 |

| Task Name | Duration | Start Date | Finish Date |
|---|---|---|---|
| Install Framo Hydraulics and commision | 45 days | 5/1/2006 | 7/18/2006 |
| Install Vents, sounds overflows tk 1 | 10 days | 7/10/2006 | 7/26/2006 |
| Install Anchor Winch Found | 10 days | 7/10/2006 | 7/26/2006 |
| Erect Stern sections | 50 days | 5/9/2006 | 8/3/2006 |
| Air Test Tank 1 cargo / ballast | 5 days | 7/26/2006 | 8/3/2006 |
| Install Anchor Windlass | 5 days | 7/26/2006 | 8/3/2006 |
| Air test stern | 2 days | 8/4/2006 | 8/8/2006 |
| Complete install IG,vapor, pv valves | 30 days | 6/27/2006 | 8/17/2006 |
| Install Winch Found fr 57 | 4 days | 8/4/2006 | 8/10/2006 |
| Shoot / install cargo pump trunks tk 5 | 5 days | 8/4/2006 | 8/14/2006 |
| Blast paint bow interior | 10 days | 7/26/2006 | 8/14/2006 |
| Install All Machinery / Electrical Equipt Main Dk hse | 30 days | 6/27/2006 | 8/17/2006 |
| Install Winch fr 57 | 4 days | 8/11/2006 | 8/17/2006 |
| Install vents, sounds, overflows tk 5 | 10 days | 8/4/2006 | 8/22/2006 |
| Run Electrical cables main dk | 30 days | 7/5/2006 | 8/28/2006 |
| Blast paint Exterior | 10 days | 8/8/2006 | 8/24/2006 |
| Blast paint Stern Interior | 10 days | 8/11/2006 | 8/29/2006 |
| Air Test Tank 5 cargo / ballast | 5 days | 8/22/2006 | 8/30/2006 |
| Blast paint #1  cargo, cd5 and ballast tanks | 15 days | 8/4/2006 | 8/30/2006 |
| Blast paint #5  cargo and ballast tanks | 15 days | 8/30/2006 | 9/26/2006 |
| Undock | 1 day | 9/26/2006 | 9/27/2006 |
| Hydro cargo tanks / ballast tanks | 10 days | 9/27/2006 | 10/16/2006 |
| Successful Test & trials, final outfit | 20 days | 10/16/2006 | 11/20/2006 |
| Successful Sea Trials | 2 days | 11/20/2006 | 11/22/2006 |
| Clean and final Sell | 5 days | 11/22/2006 | 11/30/2006 |

APPENDIX 4a

AMENDED BARGE LETTER OF CREDIT

AMENDED IRREVOCABLE STANDBY LETTER OF CREDIT
NO. RS64136369

DATE OF ISSUE: OCTOBER 21, 2004
DATE OF AMENDMENT: NOVEMBER , 2005

ISSUING BANK:
[ ]

APPLICANT:
MALCOLM G. CHACE
C/O POINT GAMMON CORP
1 PROVIDENCE WASHINGTON BLDG
PROVIDENCE, RI 02903

BENEFICIARY:
USCS ATB LLC
PO BOX 2945
EDISON, NEW JERSEY 08818−2945
ATTN: ALAN E. COLLETTI

AMOUNT/CURRENCY:
USD 15,000,000.00
FIFTEEN MILLION AND 00/100'S US DOLLARS

DATE AND PLACE OF EXPIRY:
DECEMBER 31, 2007 OUR COUNTERS

GENTLEMEN:

WE HEREBY AMEND OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. RS64136369 IN YOUR FAVOR AS BENEFICIARY IN THE AMOUNT USD 15,000,000.00 (FIFTEEN MILLION UNITED STATES DOLLARS), WHICH CREDIT IS AVAILABLE WITH BANK OF AMERICA BY PAYMENT OF BENEFICIARY'S DRAFT(S) AT SIGHT DRAWN ON BANK OF AMERICA.

THE EXPIRY DATE IS CHANGED TO DECEMBER 31, 2007.

DRAFTS MUST BE ACCOMPANIED BY:

1. THE ORIGINAL LETTER OF CREDIT AND ALL AMENDMENTS, IF ANY.

2. A BENEFICIARY'S DATED STATEMENT ON BENEFICIARY'S LETTERHEAD PURPORTEDLY SIGNED BY AN AUTHORIZED OFFICER STATING "UNDER PENALTY OF PERJURY, WE HEREBY CERTIFY THAT" AND ONE OF THE FOLLOWING:

QUOTE
THERE IS A BREACH OR DEFAULT ON THE PART OF SOUTHEASTERN NEW ENGLAND SHIPBUILDING CORPORATION D/B/A SENESCO MARINE ("SENESCO") UNDER THE ARTICULATED TUG BARGE BUILDING AGREEMENT DATED AS OF AUGUST 7, 2004 (AS AMENDED, THE "AGREEMENT") BETWEEN SENESCO, BENEFICIARY, AS BUYER, AND UNITED STATES CHEMICAL SHIPPING LLC, AS GUARANTOR, FOR THE CONSTRUCTION OF A BARGE KNOWN AS HULL NO. 46 (THE "BARGE") FOR WHICH THERE IS NO APPLICABLE CURE PERIOD OR FOR WHICH THE APPLICABLE CURE PERIOD HAS EXPIRED WITHOUT CURE; AND THE BENEFICIARY HAS (A) TAKEN OVER OR OTHERWISE CONTRACTED FOR THE COMPLETION OF THE CONSTRUCTION OF THE BARGE, AND (B) INCURRED REASONABLE COSTS IN ADDITION TO AMOUNTS PAID FOR BUYER FURNISHED EQUIPMENT (AS DEFINED IN THE AGREEMENT) AND TO SENESCO UNDER THE AGREEMENT TO COMPLETE CONSTRUCTION OF THE BARGE THAT ARE IN EXCESS OF THE PURCHASE PRICE (AS DEFINED IN THE AGREEMENT, INCLUDING ALL AMOUNTS PAID PURSUANT TO THE AGREEMENT); AND THE BENEFICIARY IS ENTITLED TO DRAW UNDER THIS LETTER OF CREDIT THE AGGREGATE AMOUNT IN EXCESS OF THE AMENDED PURCHASE PRICE (AS DEFINED IN THE AGREEMENT, INCLUDING ALL AMOUNTS PAID PURSUANT TO THE AGREEMENT) THAT BENEFICIARY HAS SPENT TO COMPLETE THE BARGE, OTHER THAN FOR BUYER FURNISHED EQUIPMENT (AS DEFINED IN THE AGREEMENT), WITH BENEFICIARY NOW BEING ENTITLED TO REIMBURSEMENT IN AN AMOUNT EQUAL TO US $______________
UNQUOTE

OR

QUOTE
AS LIQUIDATED DAMAGES UP TO A MAXIMUM AMOUNT OF $1,980,000.00 UNDER ARTICLE IV(B) OF THE ARTICULATED TUG BARGE BUILDING AGREEMENT DATED AS OF AUGUST 7, 2004, AS AMENDED AUGUST 7, 2004; SEPTEMBER 29, 2004; AND NOVEMBER 3, 2005 (AS AMENDED, THE "AGREEMENT") BY AND AMONG SOUTHEASTERN NEW ENGLAND SHIPBUILDING CORPORATION ("SENESCO"), BENEFICIARY AND UNITED STATES CHEMICAL SHIPPING LLC AS GUARANTOR, SENESCO HAS AGREED TO PAY BENEFICIARY $30,000 PER DAY UP TO 66 DAYS FOR EACH DAY THAT SENESCO IS LATE IN THE DELIVERY OF THE ATB (AS DEFINED IN THE AGREEMENT), AND SENESCO IS NOW __ DAYS LATE WITH THE DELIVERY

OF THE ATB AND BENEFICIARY IS NOW ENTITLED TO $___________ PURSUANT TO ARTICLE IV(B) OF THE AGREEMENT.
UNQUOTE

OR

QUOTE
THE ISSUING BANK HAS ISSUED A NOTICE THAT IT HAS ELECTED NOT TO RENEW THIS LETTER OF CREDIT, AND AS OF THE FIFTEENTH BUSINESS DAY PRIOR TO THE DATE OF EXPIRY OF THIS LETTER OF CREDIT, THE APPLICANT HAS NOT DELIVERED TO THE BENEFICIARY A REPLACEMENT LETTER OF CREDIT CONTAINING IDENTICAL TERMS THAT IS ISSUED BY A FEDERALLY−INSURED FINANCIAL INSTITUTION WITH A CREDIT RATING OF AT LEAST AA− BY STANDARD & POOR’S RATING SERVICES OR THE EQUIVALENT CREDIT RATING FROM A NATIONALLY−RECOGNIZED CREDIT RATING AGENCY.
UNQUOTE

PARTIAL AND MULTIPLE DRAWINGS ARE ALLOWED ON THIS LETTER OF CREDIT.

THIS LETTER OF CREDIT IS TRANSFERABLE ONLY TO EITHER CANADIAN IMPERIAL BANK OF COMMERCE, AS ADMINISTRATIVE AGENT, OR KEYBANK NATIONAL ASSOCIATION, AS COLLATERAL AGENT, AND THEIR SUCCESSORS AND ASSIGNS IN SUCH CAPACITIES.

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR SIX MONTHS FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE UNLESS AT LEAST THIRTY DAYS PRIOR TO SUCH EXPIRATION DATE THE ISSUING BANK NOTIFIES YOU BY COURIER OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, THAT THE ISSUING BANK HAS ELECTED NOT TO CONSIDER THIS LETTER OF CREDIT RENEWED FOR ANY SUCH PERIOD.  IF THE ISSUING BANK ELECTS NOT TO RENEW THIS LETTER OF CREDIT, THE BENEFICIARY SHALL HAVE THE RIGHT TO DRAW THE FULL AMOUNT OF SUCH LETTER OF CREDIT AT ANY TIME PRIOR TO ITS THEN APPLICABLE EXPIRATION DATE.

THE NUMBER AND DATE OF THE CREDIT AND THE NAME OF OUR BANK MUST BE QUOTED ON ALL DRAFT(S) REQUIRED.

EACH DRAFT PRESENTED HEREUNDER MUST BE ACCOMPANIED BY THE ORIGINAL CREDIT FOR ENDORSEMENT THEREON OF THE AMOUNT OF SUCH DRAFT.

DRAFT(S) AND DOCUMENTS MUST BE PRESENTED AT OUR OFFICES AT [__________________________ INSERT ADDRESS].

COMMUNICATIONS WITH RESPECT TO THIS LETTER OF CREDIT SHALL BE IN WRITING AND SHALL BE ADDRESSED TO US AT [________________________ INSERT ADDRESS]

SPECIFICALLY REFERRING TO THE NUMBER OF THIS LETTER OF CREDIT.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 EDITION), THE INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 500.

AUTHORIZED SIGNATURE

THIS DOCUMENT CONSISTS OF 4 PAGE(S)

APPENDIX 6a

AMENDED MILESTONE ACCEPTANCE

SENESCO MARINE
REQUEST FOR PAYMENT
INVOICE NUMBER _________
CONTRACT #046

Milestone Reference: ________________________

Southeastern New England Shipbuilding Corporation, d/b/a SENESCO Marine, hereby requests a Milestone progress payment, as referenced above, from (Buyer and/or Financial Institution) in connection with the completion of this milestone.

SENESCO Marine hereby certifies that the work required on the referenced milestone and on the corresponding task and all prior tasks on the Amended Production Schedule has been completed in all respects in accordance with the Contract, Plans and Specifications and ABS Standards.

Buyer's inspector certifies that he has inspected the work required on the referenced milestone and on the corresponding task and all prior tasks on the Amended Production Schedule and that it has been completed in all respects in accordance with the Contract, Plans, and Specifications and ABS Standards.

SENESCO Marine further certifies that there are no liens created by SENESCO Marine on the vessel being Hull Number #46, and that SENESCO Marine has not encumbered said vessel in any way.

SENESCO Marine hereby agrees to indemnify and hold Buyer/Financial Institution harmless from any claim, liens or encumbrances, incurred by Buyer/Financial Institution arising out of any misrepresentation herein.

This request for payment is subject to the Contract and nothing in this request for payment alters or amends the Contract or the respective obligations of the parties hereto.

| | |
|---|---|
| SENESCO Marine | USC ATB LLC |
| Project Manager | Buyer's Inspector |
| Dated: _______________ | Dated: _______________ |

APPENDIX 8a

AMENDED TUG LETTER OF CREDIT

AMENDED IRREVOCABLE STANDBY LETTER OF CREDIT
NO. RS64136375

DATE OF ISSUE: OCTOBER 21, 2004
DATE OF AMENDMENT: NOVEMBER , 2005

ISSUING BANK:
[ ]

APPLICANT:
MALCOLM G. CHACE
C/O POINT GAMMON CORP
1 PROVIDENCE WASHINGTON BLDG
PROVIDENCE, RI 02903

BENEFICIARY:
USCS ATB LLC
PO BOX 2945
EDISON, NEW JERSEY 08818−2945
ATTN: ALAN E. COLLETTI

AMOUNT/CURRENCY:
USD 3,000,000.00
THREE MILLION AND 00/100'S US DOLLARS

DATE AND PLACE OF EXPIRY:
DECEMBER 31, 2007 OUR COUNTERS

GENTLEMEN:

WE HEREBY AMEND OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. RS64136375 IN YOUR FAVOR AS BENEFICIARY IN THE AMOUNT USD 3,000,000.00 (THREE MILLION UNITED STATES DOLLARS), WHICH CREDIT IS AVAILABLE WITH BANK OF AMERICA BY PAYMENT OF BENEFICIARY'S DRAFT(S) AT SIGHT DRAWN ON BANK OF AMERICA.

THE EXPIRY DATE IS CHANGED TO DECEMBER 31, 2007.

DRAFTS MUST BE ACCOMPANIED BY:

1. THE ORIGINAL LETTER OF CREDIT AND ALL AMENDMENTS, IF ANY.

2. A BENEFICIARY'S DATED STATEMENT ON BENEFICIARY'S LETTERHEAD PURPORTEDLY SIGNED BY AN AUTHORIZED OFFICER STATING "UNDER PENALTY OF PERJURY, WE HEREBY CERTIFY THAT" AND ONE OF THE FOLLOWING:

QUOTE
THERE IS A BREACH OR DEFAULT ON THE PART OF SOUTHEASTERN NEW ENGLAND SHIPBUILDING CORPORATION D/B/A SENESCO MARINE ("SENESCO") UNDER THE ARTICULATED TUG BARGE BUILDING AGREEMENT DATED AS OF AUGUST 7, 2004 (AS AMENDED, THE "AGREEMENT") BETWEEN SENESCO, BENEFICIARY, AS BUYER, AND UNITED STATES CHEMICAL SHIPPING LLC, AS GUARANTOR, FOR THE CONSTRUCTION OF A TUG BOAT KNOWN AS HULL NO. 318 (THE "TUG") FOR WHICH THERE IS NO APPLICABLE CURE PERIOD OR FOR WHICH THE APPLICABLE CURE PERIOD HAS EXPIRED WITHOUT CURE; AND THE BENEFICIARY HAS (A) TAKEN OVER OR OTHERWISE CONTRACTED FOR THE COMPLETION OF THE CONSTRUCTION OF THE TUG, AND (B) INCURRED REASONABLE COSTS, IN ADDITION TO AMOUNTS PAID FOR BUYER FURNISHED EQUIPMENT (AS DEFINED IN THE AGREEMENT) AND TO SENESCO UNDER THE AGREEMENT TO COMPLETE CONSTRUCTION OF THE TUG THAT ARE IN EXCESS OF THE PURCHASE PRICE (AS DEFINED IN THE AGREEMENT, INCLUDING ALL AMOUNTS PAID PURSUANT TO THE AGREEMENT); AND THE BENEFICIARY IS ENTITLED TO DRAW UNDER THIS LETTER OF CREDIT THE AGGREGATE AMOUNT IN EXCESS OF THE AMENDED PURCHASE PRICE (AS DEFINED IN THE AGREEMENT, INCLUDING ALL AMOUNTS PAID PURSUANT TO THE AGREEMENT) THAT BENEFICIARY HAS SPENT TO COMPLETE THE TUG, OTHER THAN FOR BUYER FURNISHED EQUIPMENT (AS DEFINED IN THE AGREEMENT), WITH BENEFICIARY NOW BEING ENTITLED TO REIMBURSEMENT IN AN AMOUNT EQUAL TO US $______________
UNQUOTE

OR

QUOTE
THE ISSUING BANK HAS ISSUED A NOTICE THAT IT HAS ELECTED NOT TO RENEW THIS LETTER OF CREDIT, AND AS OF THE FIFTEENTH BUSINESS DAY PRIOR TO THE DATE OF EXPIRY OF THIS LETTER OF CREDIT, THE APPLICANT HAS NOT DELIVERED TO THE BENEFICIARY A REPLACEMENT LETTER OF CREDIT CONTAINING IDENTICAL TERMS THAT IS ISSUED BY A FEDERALLY−INSURED FINANCIAL INSTITUTION WITH A CREDIT RATING OF AT LEAST AA− BY STANDARD & POOR'S RATING SERVICES OR THE EQUIVALENT CREDIT RATING FROM A NATIONALLY−RECOGNIZED CREDIT RATING AGENCY.
UNQUOTE

PARTIAL AND MULTIPLE DRAWINGS ARE ALLOWED ON THIS LETTER OF CREDIT.

THIS LETTER OF CREDIT IS TRANSFERABLE ONLY TO EITHER CANADIAN IMPERIAL BANK OF COMMERCE, AS ADMINISTRATIVE AGENT, OR KEYBANK NATIONAL ASSOCIATION, AS COLLATERAL AGENT, AND THEIR SUCCESSORS AND ASSIGNS IN SUCH CAPACITIES.

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT SHALL BE DEEMED AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR SIX MONTHS FROM THE PRESENT OR ANY FUTURE EXPIRATION DATE UNLESS AT LEAST THIRTY DAYS PRIOR TO SUCH EXPIRATION DATE, THE ISSUING BANK NOTIFIES YOU BY COURIER OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, THAT THE ISSUING BANK HAS ELECTED NOT TO CONSIDER THIS LETTER OF CREDIT RENEWED FOR ANY SUCH PERIOD. IF THE ISSUING BANK ELECTS NOT TO RENEW THIS LETTER OF CREDIT, THE BENEFICIARY SHALL HAVE THE RIGHT TO DRAW THE FULL AMOUNT OF SUCH LETTER OF CREDIT AT ANY TIME PRIOR TO ITS THEN APPLICABLE EXPIRATION DATE.

THE NUMBER AND DATE OF THE CREDIT AND THE NAME OF OUR BANK MUST BE QUOTED ON ALL DRAFT(S) REQUIRED.

EACH DRAFT PRESENTED HEREUNDER MUST BE ACCOMPANIED BY THE ORIGINAL CREDIT FOR ENDORSEMENT THEREON OF THE AMOUNT OF SUCH DRAFT.

DRAFT(S) AND DOCUMENTS MUST BE PRESENTED AT OUR OFFICES AT [__________________________ INSERT ADDRESS].

COMMUNICATIONS WITH RESPECT TO THIS LETTER OF CREDIT SHALL BE IN WRITING AND SHALL BE ADDRESSED TO US AT [________________________ INSERT ADDRESS] SPECIFICALLY REFERRING TO THE NUMBER OF THIS LETTER OF CREDIT.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 EDITION), THE INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 500.

AUTHORIZED SIGNATURE

THIS DOCUMENT CONSISTS OF 3 PAGE(S)

APPENDIX 9

STORAGE AND APPROPRIATE INSURANCE FOR BFE&S

<u>APPENDIX 10</u>

CONSTRUCTION TRANSFER INSURANCE

[To be separately provided in satisfactory form and content to Buyer prior to Construction Transfer Date.]

# APPENDIX 11

## MAJOR COSTS OF CONSTRUCTION TRANSFER

| | |
|---|---|
| Tugboat(s) | $161,000.00 (est.) |
| Barge(s) | $75,000.00 plus $2500 per day after 30 days (est.) |
| Crane(s) | $486,000 (est.) |

Exhibit 31.1

**302 CERTIFICATION**

I, Paul B. Gridley, Chairman and Chief Executive Officer of US Shipping General Partner LLC, the general partner of U.S. Shipping Partners L.P., certify that:

1. I have reviewed this quarterly report on Form 10−Q of U.S. Shipping Partners L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 10, 2005

/s/ PAUL B. GRIDLEY

Paul B. Gridley
Chairman, Chief Executive Officer

Exhibit 31.2

**302 CERTIFICATION**

I, Albert E. Bergeron, Vice−President – Chief Financial Officer of US Shipping General Partner LLC, the general partner of U.S. Shipping Partners L.P., certify that:

1. I have reviewed this quarterly report on Form 10−Q of U.S. Shipping Partners L.P.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a−15(e) and 15d−15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's third fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2005

/s/ ALBERT E. BERGERON

Albert E. Bergeron
Vice President — Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES−OXLEY ACT OF 2002

In connection with the quarterly report of U.S. Shipping Partners L.P. (the “Partnership”) on Form 10−Q for the fiscal quarter ended September 30, 2005 as filed with the Securities and Exchange Commission (the “Report”), I, Paul B. Gridley, Chairman and Chief Executive Officer of US Shipping General Partner LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes−Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ PAUL B. GRIDLEY

Paul B. Gridley
Chairman and Chief Executive Officer
November 10, 2005

A signed original of this written statement required by Section 906 has been provided to U.S. Shipping Partners L.P. and will be retained by U.S. Shipping Partners L.P. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES−OXLEY ACT OF 2002

In connection with the quarterly report of U.S. Shipping Partners L.P. (the "Partnership") on Form 10−Q for the fiscal quarter ended September 30, 2005 as filed with the Securities and Exchange Commission (the "Report"), I, Albert E. Bergeron, Vice President—Chief Financial Officer of US Shipping General Partner LLC, the general partner of the Partnership, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes−Oxley Act of 2002, that:

(i) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ ALBERT E. BERGERON

Albert E. Bergeron
Vice President—Chief Financial Officer
November 10, 2005

A signed original of this written statement required by Section 906 has been provided to U.S. Shipping Partners L.P. and will be retained by U.S. Shipping Partners L.P. and furnished to the Securities and Exchange Commission or its staff upon request.