



# FORM SC 13D

**OMI CORP/M I – OMM**

**Filed: May 25, 2004 (period: )**

Filing by person(s) reporting owned shares of common stock in a public company >5%

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

SCHEDULE 13D  
UNDER THE SECURITIES EXCHANGE ACT OF 1934\*

STELMAR SHIPPING LTD.

-----  
(NAME OF ISSUER)

COMMON STOCK, PAR VALUE \$0.02 PER SHARE

-----  
(TITLE OF CLASS OF SECURITIES)

V8726M103

-----  
(CUSIP NUMBER)

FREDRIC S. LONDON, ESQ.  
OMI CORPORATION  
ONE STATION PLACE  
STAMFORD, CONNECTICUT 06902  
(203) 602-6700

-----  
(NAME, ADDRESS AND TELEPHONE NUMBER OF PERSON  
AUTHORIZED TO RECEIVE NOTICES AND COMMUNICATIONS)

WITH A COPY TO:

ROBERT L. CLARE III, ESQ.  
COUDERT BROTHERS LLP  
1114 AVENUE OF THE AMERICAS  
NEW YORK, NEW YORK 10036  
UNITED STATES  
(212) 626-4400

MAY 16, 2004

-----  
(DATE OF EVENT WHICH REQUIRES FILING OF THIS STATEMENT)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(e), 13d-1(f) or 13d-1(g), check the following box. |\_ |

NOTE: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See Rule 13d-7 for other parties to whom copies are to be sent.

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

SCHEDULE 13D

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 CUSIP NO. V8726M103  
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1. NAMES OF REPORTING PERSONS  
 I.R.S IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)  
 OMI Corporation  
 52-2098714

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)

(a)   
 (b)

3. SEC USE ONLY

4. SOURCE OF FUNDS (SEE INSTRUCTIONS)

WC

5. CHECK IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO  
 ITEMS 2(D) OR 2(E)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Republic of the Marshall Islands

NUMBER OF	7.	SOLE VOTING POWER
SHARES		-0-
BENEFICIALLY	8.	SHARED VOTING POWER
OWNED		4,775,610 Shares of Common Stock (1)
BY EACH	9.	SOLE DISPOSITIVE POWER
REPORTING		-0-
PERSON	10.	SHARED DISPOSITIVE POWER
WITH		4,775,610 Shares of Common Stock (1)

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

4,775,610 Shares of Common Stock (1)

12. CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES  
 (SEE INSTRUCTIONS)

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

27.5% of the outstanding Common Stock

14. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)

CO

(1) Up to 4,775,610 shares of the Issuer are subject to certain voting provisions set forth in agreements ("Agreements") entered into by the Reporting Person and certain shareholders of the Issuer (discussed in Items 3 and 6 hereof). As a result of the Agreements, the Securities and Exchange Commission may deem the Reporting Person to be a member of a "group" within the meaning of Rule 13d-5(b)(1) under the Securities Exchange Act of 1934, as amended, with respect to such shares and may deem the Reporting Person to be the beneficial owner of 4,775,610 shares. The Reporting Person disclaims being a member of a group with or among any of such shareholders within the meaning of the aforementioned rule, and the Reporting Person disclaims beneficial ownership of all shares.

SCHEDULE 13D

ITEM 1. SECURITY AND ISSUER

This statement on Schedule 13D (this "Schedule 13D") relates to the Common Stock, par value \$0.02 per share (the "Shares"), of Stelmar Shipping Ltd., a Liberian corporation (the "Issuer"). The Issuer's principal executive office is located at Status Center 2A Areos Str. Vouliagmeni 16671, Athens, Greece.

ITEM 2. IDENTITY AND BACKGROUND

This Schedule 13D is being filed by OMI Corporation ("OMI").

OMI CORPORATION

- (a) OMI, a corporation formed under the laws of the Republic of the Marshall Islands.
- (b) One Station Place  
Stamford, Connecticut 06902.
- (c) OMI is engaged principally in the business, through its subsidiary entities, of seaborne transportation of crude oil and refined petroleum products.
- (d) Except as stated below, during the last five years, OMI has not been convicted in a criminal proceeding. In January 2004, OMI reached an agreement with the Department of Justice pursuant to which OMI pleaded guilty to one count of knowingly violating regulations promulgated under the Act to Prevent Pollution from Ships by failing to maintain an "oil record book" on one of its vessels. The violations were the result of crew members on a vessel acting in violation of OMI policies without the knowledge of OMI management. The case was originally brought forth by the U.S. Attorney's office in Newark, New Jersey. Sentencing in connection with the violations is currently scheduled to take place on July 19, 2004. If the presiding judge sentences OMI according to the agreement, OMI will pay a \$4.2 million fine and serve a probationary period of three years.
- (e) During the last five years, OMI was not a party to a civil proceeding of a judicial or administrative body as a result of which OMI was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

DIRECTORS AND EXECUTIVE OFFICERS OF OMI

(a), (b), (c) and (f) The following information sets forth the name, citizenship and present principal occupation of each of the directors and executive officers of OMI. The business address of each of such persons is OMI Corporation, One Station Place, Stamford, Connecticut 06902.

DIRECTORS OF OMI

NAME AND BUSINESS ADDRESS	CITIZENSHIP	PRESENT PRINCIPAL OCCUPATION
Craig H. Stevenson, Jr. (Stamford, Connecticut)	USA	Chairman of the Board, Chief Executive Officer and Director of OMI
Robert Bugbee (Stamford, Connecticut)	United Kingdom	President, Chief Operating Officer and Director of OMI
Edward Spiegel (Stamford, Connecticut)	USA	Director

James D. Woods (Stamford, Connecticut)	USA	Director
James N. Hood (Stamford, Connecticut)	USA	Director
Michael Klebanoff (Stamford, Connecticut)	USA	Director
Philip J. Shapiro (Stamford, Connecticut)	USA	Director
Donald C. Trauscht (Stamford, Connecticut)	USA	Director

EXECUTIVE OFFICERS OF OMI

NAME AND BUSINESS ADDRESS	CITIZENSHIP	PRESENT PRINCIPAL OCCUPATION
Craig H. Stevenson, Jr. (Stamford, Connecticut)	USA	Chairman of the Board, Chief Executive Officer and Director of OMI
Robert Bugbee (Stamford, Connecticut)	United Kingdom	President, Chief Operating Officer and Director of OMI
Kathleen C. Haines (Stamford, Connecticut)	USA	Senior Vice President, Chief Financial Officer and Treasurer of OMI
Fredric S. London (Stamford, Connecticut)	USA	Senior Vice President and General Counsel of OMI
Stavros Skopelitis (Stamford, Connecticut)	USA	Vice President of OMI

(d) During the last five years, none of the above directors and executive officers of OMI has been convicted in a criminal proceeding.

(e) During the last five years, none of the above directors and executive officers of OMI has been a party to a civil proceeding of a judicial or administrative body as a result of which such executive officer or director was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION

As discussed below and in Item 6 hereof, the Shares to which this Schedule 13D relates have not been purchased by OMI.

On May 16, 2004, OMI entered into agreements (the "Agreements") with each of Stelshi Holding Ltd., Stelphi Holding Ltd. and Stelchi Holding Ltd. (each, a "Shareholder") in which each Shareholder agreed to certain obligations with respect to the Shares over which the Shareholder has voting power (the "SHL Shares"), and certain other matters as described in Item 6 hereof. Mr. Stelios Haji-Ioannou, the sole shareholder of Stelshi Holding Ltd., is also party to the Agreement with that entity solely with respect to a non-compete provision contained in that Agreement (see Item 6 hereof).

OMI paid an aggregate amount of \$2,387,805 upon execution of the Agreements for the initial standstill period of 60

days, and, if all extension periods are applicable or exercised under the Agreements, will pay an additional \$7,163,416 in connection therewith. The funds for the initial standstill period have come, and funds for any additional extension periods will come, from OMI's working capital.

The Agreements have been filed as Exhibits A, B and C hereto and are incorporated herein by reference.

ITEM 4. PURPOSE OF TRANSACTION

OMI entered into the Agreements to facilitate discussion between OMI and the Issuer with respect to a possible business combination between the two companies.

OMI understands that, on May 16, 2004, shortly prior to signing the Agreement, Mr. Stelios Haji-Ioannou notified Nicholas Hartley, Chairman of the Board of Directors of the Issuer, that Stelshi Holding Ltd. intended to enter into the Agreement.

Shortly thereafter, on May 16, 2004, and prior to the execution of the Agreements by OMI, Craig H. Stevenson, Jr., Chairman of the Board of Directors and Chief Executive Officer of OMI, telephoned Mr. Hartley to advise him of the Agreements and OMI's interest in commencing discussions with the Issuer with respect to the possible business combination between the two companies. Mr. Stevenson indicated his desire to meet in person and agreed to fly to London at Mr. Hartley's invitation. The following morning, on May 17, 2004, OMI issued a press release announcing it had entered into the Agreements.

On May 18, 2004, Mr. Stevenson met with Mr. Hartley, Peter Goodfellow, a Director and the Chief Executive Officer of the Issuer and Terence A. Coghlin, a Director of the Issuer. At that meeting Mr. Hartley, Mr. Goodfellow and Mr. Coghlin indicated that if OMI were to make a written offer, the offer would be considered by the Board of Directors of the Issuer.

On May 20, 2004, in response to such meeting and pursuant to the Agreements, Mr. Stevenson sent a letter, attached hereto as Exhibit D, to Mr. Hartley outlining the rationale of a business combination between OMI and the Issuer and setting forth the terms and timing upon which OMI would proceed toward consummating a transaction (the "Offer Letter"). In accordance with the Agreements, the Offer Letter proposed a combination of OMI and the Issuer in a stock-for-stock merger in which the former shareholders of the Issuer would own 40.5% of the combined company on a fully diluted basis in an all-stock transaction, subject to customary terms and conditions, including satisfactory completion of due diligence (the "OMI Transaction"). OMI indicated that it would be prepared to pay up to 25% of the consideration in cash in lieu of OMI shares.

As of the date of this filing, OMI is waiting for the Issuer's response to the Offer Letter. There can be no assurances that further discussions between OMI and the Issuer will occur and, even if they do, that they will lead to a definitive agreement being reached. In the event that OMI and the Issuer cannot reach an agreement, OMI will explore all of its options, which may include exploring available avenues to call a special meeting of the shareholders, or have the shareholders act by written consent, to install a board of directors committed to exploring a business combination transaction in the interests of the Issuer's shareholders, acquiring the Issuer's Shares, directly or indirectly, in open-market or privately negotiated transactions, or commencing an exchange or tender offer for the Issuer's Shares.

Other than as described or incorporated above, OMI currently has no plans or proposals which relate to, or may result in, any of the matters listed in Items 4(a)-(j) of Schedule 13D although OMI reserves the right to develop such plans. Specifically, but without limiting the generality of the foregoing, OMI may acquire Shares if it believes that such acquisition would facilitate an OMI Transaction.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER

(a) - (b) OMI does not currently own any shares in the Issuer. As a result of the Agreements, the Securities and Exchange Commission may deem OMI to be a "group" within the meaning of Rule 13d-5(b)(1) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") with respect to the 4,775,610 Shares that are subject to the Agreements, and OMI may be deemed to be the beneficial owner of such Shares. Based upon the number of Shares disclosed to the public as outstanding as of March 19, 2004, such Shares represent approximately 27.5% of the issued and outstanding Common Stock.

To the knowledge of OMI, no Shares are beneficially owned by any director or executive officer of OMI.

(c) Other than as reported in Item 6 hereof with respect to Shares in which OMI may be deemed to be the beneficial owner, there were no transactions in the Common Stock that were effected by OMI or, to the knowledge of OMI, any director or executive officer of OMI during the past sixty days.

(d) To the knowledge of OMI, all pecuniary interests in the Shares referred to in Item 5(a) hereof are held by the Shareholders.

(e) Not applicable.

OMI disclaims being a member of a group and, pursuant to Rule 13d-4 of the Exchange Act, disclaims beneficial ownership of any Shares for the purposes of Section 13(d) or Section 13(g) of the Exchange Act.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER

The information set forth in Items 3 and 4 is incorporated herein by reference.

SUMMARY OF KEY TERMS OF THE AGREEMENTS

The following is a summary of the key terms of the Agreements.

STANDSTILL, VOTING AND OTHER COVENANTS

Pursuant to the Agreements, each of the Shareholders has agreed, during the term of the relevant Agreement, (i) not to sell any of its SHL Shares to any third party; (ii) not to grant proxies or enter into any voting arrangements; and (iii) not to solicit or encourage the submission of or facilitate any inquiries, offer or proposal for any acquisition of any Shares or for any merger or other business combination involving the Issuer.

Each of the Shareholders further agreed during the term of the relevant Agreement (i) to attend all meetings of the shareholders of the Issuer and, to the extent permitted by law, vote in favor of the OMI Transaction; (ii) to the extent permitted by law, to vote against any action that would impede the OMI Transaction or that would lead to any change in the executive officers or Board of Directors of the Issuer or any change in the present corporate structure or business of the Issuer; and (iii) in the event the OMI Transaction is a tender and/or exchange offer recommended by the Board of Directors of the Issuer, to tender its SHL Shares pursuant to the terms of such OMI Transaction.

Pursuant to the Agreements, OMI has agreed to pay (i) an initial term fee of approximately \$2,387,805 in the aggregate, that was due and payable upon execution of the Agreements, for an initial sixty-day standstill period (the "Initial Term"); (ii) a subsequent period fee of approximately \$4,775,610 in the aggregate, payable following execution of a definitive agreement between the Issuer and OMI for the consummation of the OMI Transaction, for a subsequent standstill period of ninety days, plus any delays due to regulatory review of filings (the "Subsequent Period"); and (iii) an optional extension period fee of approximately \$1,193,903 in the aggregate for each month, payable upon OMI's election of such extension for an optional extension period ("Optional Extension Period") of up to sixty days beyond the Subsequent Period, such election exercisable only in the event there is an offer in relation to the Shares of the Issuer that is competitive with the OMI Transaction. All such fees shall be credited against the purchase price payable to the Shareholders in the event the OMI Transaction is consummated.

If the Board of Directors does not approve an OMI Transaction but receives a competitive offer during the five months from the date of the Agreements which leads to a completed transaction, upon consummation of that transaction, the Shareholders are obligated to pay OMI a cash amount equal to the greater of the fees received for the Initial Term and 25% of the value of the consideration received by the Shareholders pursuant to the transaction in excess of \$33.90 per Share.

The Agreements terminate when, among other termination events, any of the following occurs: (i) at the end of the Initial Term if the Board of Directors of the Issuer has not at any time prior to the end of such period approved the proposed OMI Transaction; (ii) at the end of the Optional Extension Period, if any, or if none, the end of the Subsequent Period; (iii) upon the shareholders of the Issuer failing to approve the proposed OMI Transaction; (v) upon termination or abandonment of an OMI Transaction by OMI; or (v) upon termination by a Shareholder in the event of certain material adverse changes with respect to OMI.

NON-COMPETE AGREEMENT

In addition to the foregoing, the Agreement with Stelshi Holding Ltd. contains a covenant of Stelios Haji-Ioannou, the sole shareholder of Stelshi Holding Ltd., by which Mr. Haji-Ioannou agreed to enter into a non-competition agreement to refrain from competing with OMI to, in effect, extend the period covered by an existing non-competition agreement between

Mr. Haji-Ioannou and the Issuer until five years from the closing date of the OMI Transaction. In exchange, OMI has agreed to pay Mr. Haji-Ioannou an amount of \$2,500,000.

Except as set forth herein, neither OMI nor, to the best of OMI's knowledge, any of the individuals named in Item 2 hereof, has entered into any contracts, arrangements, understandings or relationships (legal or otherwise) with any person with respect to any securities of the Issuer, including, but not limited to, transfer or voting of any securities, finder's fees, joint ventures, loan or option arrangements, puts or calls, guarantees of profits, division of profits or losses, or the giving or withholding of proxies.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS

1. Attached hereto as Exhibit A is a conformed copy of the Agreement dated as of May 16, 2004 between OMI and Stelshi Holding Ltd. (together with Stelios Haji-Ioannou for purposes of the non-compete provision only)
2. Attached hereto as Exhibit B is a conformed copy of the Agreement dated as of May 16, 2004 between OMI and Stelphi Holding Ltd.
3. Attached hereto as Exhibit C is a conformed copy of the Agreement dated as of May 16, 2004 between OMI and Stelchi Holding Ltd.
4. Attached hereto as Exhibit D is a conformed copy of the letter dated May 20, 2004 from OMI Corporation to Stelmar Shipping Ltd.



SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

DATED: May 25, 2004

OMI CORPORATION

By /s/ Craig H. Stevenson, Jr.

-----  
Craig H. Stevenson, Jr.  
Chairman of the Board of Directors  
and Chief Executive Officer

INDEX TO EXHIBITS

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- EXHIBIT B           A conformed copy of the Agreement dated as of May 16, 2004 between OMI and Stelphi Holding Ltd.
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- EXHIBIT D           A conformed copy of the letter dated May 20, 2004 from OMI Corporation to Stelmar Shipping Ltd.

## AGREEMENT

THIS AGREEMENT (the "Agreement") is made as of May 16, 2004, by and between Stelshi Holding Ltd., a Liberian corporation ("Stelshi"), and OMI Corporation, a company organized under the laws of the Republic of the Marshall Islands ("OMI").

WHEREAS, Stelshi, as of the date hereof, is the record and beneficial owner of 1,288,584 shares (the "Shares") of common stock, par value \$0.02 per share (the "Common Stock") of Stelmar Shipping Ltd., a Liberian corporation (the "Company"); and

WHEREAS, OMI desires Stelshi to agree, and Stelshi agrees, to a standstill with respect to the Shares and certain other matters as herein described, all on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements contained herein, the parties agree as follows:

## ARTICLE I

## REPRESENTATIONS AND WARRANTIES OF STELSHI

Stelshi represents and warrants to OMI as follows:

SECTION 1.1 LEGAL POWER. All corporate action on the part of Stelshi, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement has been taken. Stelshi has the requisite corporate power to enter into this Agreement, to carry out and perform its obligations under the terms of this Agreement.

SECTION 1.2 DUE EXECUTION. This Agreement has been duly authorized, executed and delivered by Stelshi and, upon due execution and delivery by OMI, this Agreement will be a valid and binding agreement of Stelshi.

SECTION 1.3 NO CONFLICT. The execution, delivery and performance of this Agreement by Stelshi will not result in any violation of, conflict with, or constitute a default under, with or without the passage of time or the giving of notice: (a) any obligation or duty of Stelshi to any other person, (b) any provision of any judgment, decree or order to which Stelshi is a party or by which it or any of its assets is bound; (c) any contract, obligation or commitment to which Stelshi is a party or by which it or any of its assets is bound; (d) any provision of its constituent documents; or (e) any applicable law, including, without limitation, any statute, rule, order, decree, treaty or governmental regulation. The execution, delivery and performance of this Agreement by Stelshi will not require any consent, approval, authorization or permit of, registration, declaration or filing (except for filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) with, or notification to, any governmental entity (except for relevant antitrust or competition authorities).

SECTION 1.4 TITLE. Stelshi is the sole record, legal and beneficial owner of the Shares, and there are no outstanding options, calls, puts, subscriptions, preemptive rights, rights of first refusal or other agreements or commitments, obligating Stelshi to sell or transfer the Shares to any person or granting an option or right to any person to purchase or acquire from Stelshi the Shares. The Shares are free and clear of any claim, lien, pledge, option, right of first refusal, buy-sell agreement, defect in title, charge, security interest, conditional sales agreement, title retention agreement, restriction on transfer, voting agreements, voting trusts, proxies, preemptive rights (whether statutory or contractual), shareholder or similar agreements, or other restrictions or encumbrances of any nature or kind (except state and federal securities laws restrictions pertaining to the transfer of the Shares), whether voluntarily incurred or arising by operation of law, including any agreement to give any of the foregoing in the future.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES OF OMI

OMI represents and warrants to Stelshi as follows:

SECTION 2.1 LEGAL POWER. All corporate action on the part of OMI, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement has been taken. OMI has the requisite corporate power to enter into this Agreement, to carry out and perform its obligations under the terms of this Agreement.

SECTION 2.2 DUE EXECUTION. This Agreement has been duly authorized, executed and delivered by OMI and, upon due execution and delivery by Stelshi, this Agreement will be a valid and binding agreement of OMI.

SECTION 2.3 NO CONFLICT. The execution, delivery and performance of this Agreement by OMI will not result in any violation of, conflict with, or constitute a default under, with or without the passage of time or the giving of notice: (a) any obligation or duty of OMI to any other person, (b) any provision of any judgment, decree or order to which OMI is a party or by which it or any of its assets is bound; (c) any contract, obligation or commitment to which OMI is a party or by which it or any of its assets is bound; (d) any provision of its constituent documents; or (e) any applicable law, including, without limitation, any statute, rule, order, decree, treaty or governmental regulation. The execution, delivery and performance of this Agreement by OMI will not require any consent, approval, authorization or permit of, registration, declaration or filing (except for filings under the U.S. federal and state securities laws) with, or notification to, any governmental entity (except for relevant antitrust or competition authorities).

## ARTICLE III

### STANDSTILL AND VOTING AGREEMENT

SECTION 3.1 STANDSTILL. Prior to the Termination Date, as defined in Section 5.1 below and except pursuant to the terms of this Agreement, Stelshi shall not (a) sell, pledge or otherwise transfer, directly or indirectly, any of the Shares nor grant any options or rights to the Shares, to any third party nor shall Stelshi, directly or indirectly, solicit or entertain offers from

any third party to enter into any such transaction, provided that Stelshi may, at any time, transfer any Shares to any other entity which, as of the date of such transfer, has entered into an agreement with OMI on terms that are identical in all material respects with the terms of this Agreement, (b) grant any proxies or enter into any voting agreement or other arrangement with respect to any of the Shares, (c) deposit any Shares into a voting trust, or (d) (i) directly or indirectly solicit, initiate, or knowingly encourage the submission of any offer or proposal for any acquisition of any shares of Common Stock or any merger or other business combination or any similar transaction involving the Company, and (ii) directly or indirectly participate in any discussions or negotiations regarding, or furnish to any person (other than to any regulatory or judicial authority as may be required by law or regulation or judicial proceeding or to any person pursuant to court order) any information with respect to, or knowingly take any other action to facilitate any inquiries or the making of any offer or proposal that constitutes or would reasonably be expected to lead to any offer, proposal or transaction that would compete with, impede, or interfere with any OMI Transaction (as defined in Section 4.1 below) and shall not permit any investment banker, attorney, or other adviser or representative of Stelshi or any affiliate of Stelshi to do any of the foregoing.

SECTION 3.2 VOTING AGREEMENT. Stelshi agrees, to the extent permitted by law, prior to the Termination Date, (i) to attend all meetings of the shareholders of the Company, (ii) to retain all voting rights with respect to the Shares (except for transfer of Shares pursuant to Section 3.1(a) hereof) and (iii) to the extent permitted by law, at any meeting of the shareholders of the Company, however called, or in connection with any action by written consent by the shareholders of the Company, to vote all of the Shares:

(a) If the OMI Transaction is a merger or other business combination requiring a shareholder vote, in favor of the transactions contemplated by such OMI Transaction and the agreements related thereto; and

(b) Against any action or agreement that would impede, interfere with or discourage the transactions contemplated by the OMI Transaction (or attempt to do any of the foregoing), including, but not limited to: (i) any extraordinary corporate transaction, such as a merger, rights offering, reorganization, recapitalization or liquidation involving the Company or any of its subsidiaries, (ii) a sale or transfer of a material amount of assets of the Company or any of its subsidiaries or the issuance of any securities of the Company or any subsidiary, (iii) any change in the executive officers or Board of Directors of the Company or (iv) any change in the present corporate structure or business of the Company.

SECTION 3.3 TENDER OF SHARES. If the OMI Transaction is a tender and/or exchange offer recommended by the Board of Directors of the Company, Stelshi agrees to tender validly (and not to withdraw) the Shares, pursuant to and in accordance with the terms of the Offer (as defined in Section 4.1 below) and Rule 14d-2 under the Exchange Act, not later than the fifth business day after commencement of the OMI Transaction. Stelshi shall cause the Shares to remain validly tendered and not withdrawn unless and until the OMI Transaction is consummated, terminated or has expired without OMI purchasing all shares of Common Stock validly tendered in the Offer.

SECTION 3.4 TERM. The initial term of the provisions of this Article III shall be the 60 (sixty) day period commencing on the date hereof (the "Initial Term"). If, prior to the expiration of the Initial Term, the Board of Directors of the Company shall have approved a proposed OMI Transaction, the provisions of this Article III shall be extended for a period of 90 (ninety) days from the date of expiration of the Initial Term (the "Subsequent Period"), provided that if the parties thereto are unable to consummate the OMI Transaction during such Subsequent Period as a result of pending regulatory filings and clearances and OMI continues to actively work towards the consummation of the OMI Transaction, the term of such Subsequent Period shall be extended without any additional fee becoming payable until the earliest to occur of (i) OMI terminating or canceling the OMI Transaction or (ii) the obtaining or satisfying of the requisite regulatory filings, approvals or clearances and, if as a result of the pending regulatory matters, either OMI or the Company had been unable to hold a meeting of its shareholder, the completion of such meeting. OMI shall also have the option, in the event of a competing offer, to extend the provisions of this Article III for up to an additional period of 60 (sixty) days beyond the expiration of the Subsequent Period (any such extension, the "Optional Extension Period"). In the event that the Subsequent Period has been automatically extended pursuant to the above provisions and there is a competing offer, the provisions applicable to the Optional Extension Period shall apply and the Optional Extension Fee shall be due as provided below. The foregoing notwithstanding, in no event shall the Subsequent Period and/or the Optional Extension Period in the aggregate extend beyond the date that is 7 (seven) months from the date of this Agreement.

SECTION 3.5 STANDSTILL FEES. The standstill fee for the Initial Term is \$0.50 per Share, payable by OMI by wire transfer of immediately available funds to an account specified in writing by Stelshi upon the execution of this Agreement (the "Initial Term Fee"). The standstill fee for the Subsequent Period, including all extensions thereof as described in Section 3.4 above, is \$1.00 per Share (excluding any Shares transferred by Stelshi to another entity in accordance with the provisions of Section 3.1(a) above but including any Shares acquired by Stelshi from another entity in accordance with the provisions of Section 3.1(a) above, in such case as the term "Shares" is defined in the agreement between that other entity and OMI), payable by OMI by wire transfer of immediately available funds to an account specified in writing by Stelshi promptly following the execution of a definitive agreement between the Company and OMI for the consummation of the OMI Transaction (the "Subsequent Period Fee"). The standstill fee for the Optional Extension Period is \$0.25 per Share for each month of the Optional Extension Period (excluding any Shares transferred by Stelshi to another entity in accordance with the provisions of Section 3.1(a) above but including any Shares acquired by Stelshi from another entity in accordance with the provisions of Section 3.1(a) above, in such case as the term "Shares" is defined in the agreement between that other entity and OMI), payable by OMI by wire transfer of immediately available funds to an account specified in writing by Stelshi promptly following notice from OMI of election of such extension (the "Optional Extension Period Fee" and together with the Initial Term Fee and the Subsequent Period Fee, the "Fees"). The Fees shall be non-refundable, except that (i) the Fees shall be credited and applied to the consideration payable upon the consummation of the OMI Transaction to Stelshi pursuant to the terms and conditions of the OMI Transaction, and (ii) in the event a competing offer is made during the 5 (five) month period commencing on the date hereof and no definitive agreement between the Company and OMI has been executed for the consummation of the OMI Transaction, upon consummation of a transaction with the competing

offeror, OMI shall be entitled to a payment equal to the higher of (A) an amount equal to the aggregate Initial Term Fee received by Stelshi and (B) an amount equal to 25% of the excess, per share of Common Stock, of the dollar equivalent of the purchase price per share at which the transaction is consummated over \$33.90 multiplied by the number of shares of Common Stock sold, tendered, voted or exchanged by Stelshi, as the case may be, in the transaction. Such payment shall be made by wire transfer of immediately available funds to an account specified in writing by OMI, no later than 5 (five) days after consummation of the transaction. If such purchase price is payable in stock of an entity, the dollar equivalent shall be the average closing price of the entity's stock on its principal trading market (except that if the entity has ADRs trading on the New York Stock Exchange or Nasdaq National Market, the relevant trading price shall be that of the ADRs) for the 20 (twenty) most recent trading days immediately prior to the consummation of such transaction.

SECTION 3.6 SUBSEQUENTLY ACQUIRED SHARES. Notwithstanding the use of the term "Shares" in Sections 3.1, 3.2 and 3.3 above, the provisions in this Article III shall apply to the Shares, together with (a) any additional shares of capital stock of the Company acquired by Stelshi after the date hereof and prior to the Termination Date, or that Stelshi is entitled to receive from the Company by reason of being a record holder during such period, and (b) any securities into which any such Shares or additional shares shall have been converted or changed, whether by amendment to the constituent documents of the Company, merger, consolidation or otherwise, provided that such additional shares shall not be included in the calculation of the amounts of the Fees, except as otherwise set forth in Section 3.5.

#### ARTICLE IV

##### COVENANTS

SECTION 4.1 AGREEMENT TO COMMENCE AN OMI TRANSACTION. OMI agrees that, within thirty (30) days of the date of this Agreement, OMI or a subsidiary of OMI, shall, subject to reasonable satisfaction of due diligence, offer in writing to the Company's Board of Directors (the "Offer") to acquire all shares of Common Stock either in a merger with the Company or in a tender and/or exchange offer for Common Stock, provided that any such Offer shall be subject to customary terms and conditions for such a transaction, including satisfactory completion of due diligence (each, an "OMI Transaction"). The Offer shall be at an offer price (as such offer price may be amended, the "Offer Price"), payable in OMI common stock, that will provide on a fully diluted basis to the former holders of Common Stock (including any holders of options or warrants or other rights to acquire Common Stock (on an as exercised basis)), an aggregate shareholder interest of not less than 40.5% in OMI as of the date of the consummation of the OMI Transaction. The Offer shall further provide that each holder of Common Stock shall be entitled to elect to receive up to 25% of the Offer Price in cash; provided that the maximum aggregate amount of cash to be paid shall not exceed \$175,000,000 (one hundred seventy-five million dollars). In the event that the aggregate amount of cash elected by the holders of Common Stock shall exceed this maximum amount, the cash portion to be received by each holder shall be reduced on a pro rata basis.

SECTION 4.2 REGISTRATION COVENANT. OMI agrees that, upon the written advice of outside counsel reasonably satisfactory to OMI and Stelshi that Stelshi may be deemed to be

an "affiliate" of OMI for purposes of the federal securities laws following consummation of an OMI Transaction, Stelshi shall be entitled to registration rights with respect to all of the shares of OMI received by Stelshi in the OMI Transaction. Such registration rights shall be for a resale shelf registration upon Form S-3 or any successor form thereto, upon customary terms and conditions and such other provisions as the parties shall mutually agree, provided that the plan of distribution shall not include an underwritten offering. The expenses incurred in connection with the registration shall be borne by OMI (excluding the fees of any legal counsel selected by or representing Stelshi, brokers fees and commissions and other similar fees and commissions customarily borne by Stelshi).

SECTION 4.3 NON-COMPETE AGREEMENT. Following consummation of an OMI Transaction, Stelios Haji-Ioannou, the sole shareholder of Stelshi, and OMI or the surviving entity of the OMI Transaction shall enter into a non-competition agreement with OMI or the surviving entity of the OMI Transaction, as appropriate, for a 5 (five) year period from the date of consummation of the OMI Transaction. In consideration for the non-compete agreement, Mr. Haji-Ioannou shall be entitled to receive \$2,500,000 (two million five hundred thousand dollars) payable by OMI or the surviving entity, as applicable, by wire transfer of immediately available funds to an account specified in writing by Mr. Haji-Ioannou upon execution of the non-compete agreement. The effect of such agreement will be to extend for an additional 3 (three) year period the covenants in that certain Exclusivity and Non-Compete Agreement dated as of February 26, 2001 between Mr. Haji-Ioannou and the Company, the provisions of which, as a result of the consummation of an OMI Transaction, are anticipated to expire 2 (two) years from the date of consummation of the OMI Transaction.

SECTION 4.4 REIMBURSEMENT OF CERTAIN EXPENSES. OMI agrees to reimburse Stelshi, its officers, directors, employees and agents for 50% (fifty percent) of their reasonable out-of-pocket expenses as they are incurred in connection with investigating, preparing or defending any pending or threatened claim or action or proceeding resulting from the entering into of this Agreement up to an aggregate maximum amount of \$54,000.

#### ARTICLE V

#### TERMINATION

SECTION 5.1 TERMINATION. This Agreement shall terminate upon the earliest to occur of (a) the end of the term of the Optional Extension Period, if any, or if none, the end of the term of the Subsequent Period as such may be extended pursuant to Section 3.4, or, solely in the event that the conditions for the commencement of the Subsequent Period are not satisfied, the end of the term of the Initial Term, (b) the termination of this Agreement by Stelshi upon the occurrence of a Termination Event (as defined in Section 5.1), (c) the agreement of the parties to terminate this Agreement, (d) the termination by OMI of a proposed OMI Transaction, (e) the consummation of any OMI Transaction, (f) the shareholders of the Company failing to approve an OMI Transaction by the requisite vote at any shareholders' meeting called, or pursuant to a consent circulated, for consideration and approval of such OMI Transaction, (g) in the event of a competing offer, the Board of Directors of the Company changing its recommendation to the shareholders and the shareholders of the Company either (i) failing to approve an OMI



Transaction by the requisite vote at any shareholders' meeting called, or pursuant to consent circulated, for consideration and approval of such OMI Transaction, (ii) the shareholders of the Company approving the transaction contemplated by the competing offer by the requisite vote at any shareholders' meeting called, or pursuant to consent circulated, for consideration and approval of such OMI Transaction, or (iii) if no vote of the shareholders of the Company is required, the shareholders of the Company tendering or exchanging in any tender or exchange offer the number of shares of Common Stock required to close the tender or exchange offer relating to the competing offer, or failing to tender or exchange in any OMI tender or exchange offer the number of shares of Common Stock required to close such tender or exchange offer. The date on which the earliest of one of the above listed events occurs is herein referred to as the "Termination Date."

SECTION 5.2 TERMINATION EVENT.

(a) Any of the following events shall constitute a Termination Event for purposes of this Agreement during the Initial Term:

(i) Statement by OMI in any government or administrative proceeding or filing or any judicial proceeding, or in any written notice to Stelshi, that it has effectively abandoned its efforts to consummate an OMI Transaction; or

(ii) A material adverse change in the business, financial condition, results of operations or property of OMI and its subsidiaries taken as a whole, provided, however, that any such change resulting from any change (A) in laws, rules or regulations applicable to companies in business generally or to the shipping industry specifically, (B) in economic or business conditions generally or in the shipping industry specifically, or (C) in the securities markets in general, shall not be considered when determining if a material adverse change has occurred.

(b) The termination of the definitive merger or acquisition agreement by either OMI or the Company (or the termination of a tender/exchange offer) as a result of a material adverse change or event as defined in such agreement shall constitute a Termination Event for purposes of this Agreement during the Subsequent Period.

SECTION 5.3 EFFECT OF TERMINATION. In the event of termination of this Agreement pursuant to Section 5.1, except with respect to the payments that may be required pursuant to Section 3.5, this Agreement shall become void and have no effect, without liability on the part of any party. Nothing contained in this Article V shall relieve any party from liability for any breach of this Agreement.

ARTICLE VI

MISCELLANEOUS

SECTION 6.1 GOVERNING LAW. This Agreement shall be governed by and interpreted in accordance with the substantive laws of the State of New York and the United States of America, without regard to choice of law rules thereof.

SECTION 6.2 PUBLIC STATEMENTS. Neither Stelshi nor OMI nor any of their representatives will issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other party; provided, however, that a party may, subject to a right of the other party to review and comment, (a) make any announcement it believes in good faith after consultation with legal counsel is required by law or the rules of any stock exchange and (b) make any filings required under applicable securities laws or regulations, including but not limited to Form 4 reports and Schedule 13D filings; and provided, further, that the parties shall mutually agree upon the form, substance and timing of issuance of a mutually acceptable press release with respect to the subject matter of this Agreement.

SECTION 6.3 GREEK OPERATION AND NAME. OMI currently anticipates that the resulting business following the consummation of any OMI Transaction would have a meaningful operational presence in Greece and that the name of the resulting entity would be OMI-Stelmar Corporation.

SECTION 6.4 SUCCESSORS AND ASSIGNS. Neither this Agreement nor any of the rights or obligations under this Agreement may be assigned by any party without the prior written consent of the other parties; provided, however, that OMI may assign or delegate all or part of its rights and obligations under this Agreement to one or more direct or indirect subsidiaries or affiliates; provided, further, that any such assignment or delegation shall not relieve OMI of its obligations under this Agreement. This Agreement will be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, and no other person will have any right, benefit or obligation under this Agreement as a third party beneficiary or otherwise.

SECTION 6.5 ENTIRE AGREEMENT; AMENDMENTS. This Agreement sets forth all of the representations, warranties, covenants, agreements and understandings between Stelshi and OMI. There are no representations, warranties, covenants, agreements or understandings, either oral or written, between Stelshi and OMI other than as set forth in this Agreement. This Agreement may be amended only by written instrument duly executed by each party.

SECTION 6.6 NOTICES. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed effectively given and received (a) upon personal delivery, (b) on the fifth day following mailing by registered or certified mail return receipt requested, postage prepaid, addressed to Stelshi or OMI at their respective addresses listed below (or at such other address for a party as shall be specified by like notice; provided, that notices of a change of address shall be effective only upon receipt thereof), (c) upon confirmed transmission by facsimile (with telephonic notice), or (d) upon confirmed delivery by overnight commercial courier service:

If to Stelshi, to:           Areos 2A Street  
                                  Athens, Greece  
                                  Attention: George Karageoriou  
                                  Email: stelios@easygroup.co.uk

With a copy to:

Schiff Hardin LLP  
623 Fifth Avenue  
28th Floor  
New York, NY 10022  
Attention: Hans F. Kaeser  
Telephone No.: 212-745-0818  
Telecopy No.: 212-735-5044  
Email: hkaeser@schiffhardin.com

If to OMI, to:

OMI Corporation  
One Station Place  
Stamford, CT 06902  
Attention: Fredric S. London  
Telephone No.: 203-602-6789  
Telecopy No.: 203-602-6701  
Email: flondon@omicorp.com

With a copy to:

Coudert Brothers LLP  
1114 Avenue of the Americas  
New York, New York 10036  
Attention: Robert L. Clare, III  
Telephone No.: 212-626-4218  
Telecopy No.: 212-626-4120  
Email: clarer@Coudert.com

SECTION 6.7 EXPENSES. Except as otherwise expressly provided herein, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such costs or expenses.

SECTION 6.8 INTERPRETATION. When a reference is made in this Agreement to a Section such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. The masculine, feminine or neuter gender and the singular or plural shall each be construed to include the other whenever the context indicates.

SECTION 6.9 FURTHER ASSURANCES. Each party will execute and deliver all such further documents and instruments and take all such further action as may be necessary in order to consummate the transactions contemplated hereby.

SECTION 6.10 SPECIFIC PERFORMANCE. The parties recognize and agree that if for any reason any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached, immediate and irreparable harm or injury would be caused for which money damages would not be an adequate remedy. Accordingly, each party

agrees that, in addition to other remedies, the other party shall be entitled to an injunction restraining any violation or threatened violation of the provisions of this Agreement. In the event that any action should be brought in equity to enforce the provisions of the Agreement, neither party will allege, and each party hereby waives the defense, that there is adequate remedy at law.

SECTION 6.11 SURVIVAL. The representations, warranties and agreements of Stelshi and OMI in this Agreement or in any instrument delivered by them pursuant to this Agreement shall survive for 1 (one) year after the Termination Date and any investigation at any time made by or on behalf of any party hereto, except that with respect to the agreement of OMI set forth in Section 4.4, the period shall be 2(two) years after the Termination Date.

SECTION 6.12 ADJUSTMENTS IN EVENT OF CHANGE IN COMMON STOCK. In the event of any change in the Company's Common Stock by reasons of stock dividends, stock splits, reclassifications, cash dividends, repurchases, splitups, mergers, recapitalizations, combinations, exchange of shares or the like, the type and number of shares or securities subject to the Standstill Fee and the Offer Price shall be adjusted appropriately.

SECTION 6.13 COUNTERPARTS; FACSIMILE. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. This Agreement may be executed and delivered by facsimile transmission, and a facsimile of this Agreement or of a signature of a party will be effective as an original.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement is executed and delivered by the parties as of the date first above written.

STELSHI HOLDING LTD.

By: /S/ STELIOS HAJI-IOANNOU

-----  
Name: Stelios Haji-Ioannou  
Title: Attorney-In-Fact

OMI CORPORATION

By: /S/ CRAIG H. STEVENSON, JR.

-----  
Name: Craig H. Stevenson, Jr.  
Title: Chairman of the Board and  
Chief Executive Officer

Acknowledge and agreed solely for purposes of Section 4.3 hereof.

/S/ STELIOS HAJI-IOANNOU  
-----  
Stelios Haji-Ioannou

-11-

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</DOCUMENT>

## AGREEMENT

THIS AGREEMENT (the "Agreement") is made as of May 16, 2004, by and between Stelphi Holding Ltd., a Liberian corporation ("Stelphi"), and OMI Corporation, a company organized under the laws of the Republic of the Marshall Islands ("OMI").

WHEREAS, Stelphi, as of the date hereof, is the record and beneficial owner of 2,412,026 shares (the "Shares") of common stock, par value \$0.02 per share (the "Common Stock") of Stelmar Shipping Ltd., a Liberian corporation (the "Company"); and

WHEREAS, OMI desires Stelphi to agree, and Stelphi agrees, to a standstill with respect to the Shares and certain other matters as herein described, all on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements contained herein, the parties agree as follows:

## ARTICLE I

## REPRESENTATIONS AND WARRANTIES OF STELPHI

Stelphi represents and warrants to OMI as follows:

SECTION 1.1 LEGAL POWER. All corporate action on the part of Stelphi, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement has been taken. Stelphi has the requisite corporate power to enter into this Agreement, to carry out and perform its obligations under the terms of this Agreement.

SECTION 1.2 DUE EXECUTION. This Agreement has been duly authorized, executed and delivered by Stelphi and, upon due execution and delivery by OMI, this Agreement will be a valid and binding agreement of Stelphi.

SECTION 1.3 NO CONFLICT. The execution, delivery and performance of this Agreement by Stelphi will not result in any violation of, conflict with, or constitute a default under, with or without the passage of time or the giving of notice: (a) any obligation or duty of Stelphi to any other person, (b) any provision of any judgment, decree or order to which Stelphi is a party or by which it or any of its assets is bound; (c) any contract, obligation or commitment to which Stelphi is a party or by which it or any of its assets is bound; (d) any provision of its constituent documents; or (e) any applicable law, including, without limitation, any statute, rule, order, decree, treaty or governmental regulation. The execution, delivery and performance of this Agreement by Stelphi will not require any consent, approval, authorization or permit of, registration, declaration or filing (except for filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) with, or notification to, any governmental entity (except for relevant antitrust or competition authorities).

SECTION 1.4 TITLE. Stelphi is the sole record, legal and beneficial owner of the Shares, and there are no outstanding options, calls, puts, subscriptions, preemptive rights, rights

of first refusal or other agreements or commitments, obligating Stelphi to sell or transfer the Shares to any person or granting an option or right to any person to purchase or acquire from Stelphi the Shares. The Shares are free and clear of any claim, lien, pledge, option, right of first refusal, buy-sell agreement, defect in title, charge, security interest, conditional sales agreement, title retention agreement, restriction on transfer, voting agreements, voting trusts, proxies, preemptive rights (whether statutory or contractual), shareholder or similar agreements, or other restrictions or encumbrances of any nature or kind (except state and federal securities laws restrictions pertaining to the transfer of the Shares), whether voluntarily incurred or arising by operation of law, including any agreement to give any of the foregoing in the future.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES OF OMI

OMI represents and warrants to Stelphi as follows:

SECTION 2.1 LEGAL POWER. All corporate action on the part of OMI, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement has been taken. OMI has the requisite corporate power to enter into this Agreement, to carry out and perform its obligations under the terms of this Agreement.

SECTION 2.2 DUE EXECUTION. This Agreement has been duly authorized, executed and delivered by OMI and, upon due execution and delivery by Stelphi, this Agreement will be a valid and binding agreement of OMI.

SECTION 2.3 NO CONFLICT. The execution, delivery and performance of this Agreement by OMI will not result in any violation of, conflict with, or constitute a default under, with or without the passage of time or the giving of notice: (a) any obligation or duty of OMI to any other person, (b) any provision of any judgment, decree or order to which OMI is a party or by which it or any of its assets is bound; (c) any contract, obligation or commitment to which OMI is a party or by which it or any of its assets is bound; (d) any provision of its constituent documents; or (e) any applicable law, including, without limitation, any statute, rule, order, decree, treaty or governmental regulation. The execution, delivery and performance of this Agreement by OMI will not require any consent, approval, authorization or permit of, registration, declaration or filing (except for filings under the U.S. federal and state securities laws) with, or notification to, any governmental entity (except for relevant antitrust or competition authorities).

## ARTICLE III

### STANDSTILL AND VOTING AGREEMENT

SECTION 3.1 STANDSTILL. Prior to the Termination Date, as defined in Section 5.1 below and except pursuant to the terms of this Agreement, Stelphi shall not (a) sell, pledge or otherwise transfer, directly or indirectly, any of the Shares nor grant any options or rights to the Shares, to any third party nor shall Stelphi, directly or indirectly, solicit or entertain offers from any third party to enter into any such transaction, provided that Stelphi may, at any time, transfer any Shares to any other entity which, as of the date of such transfer, has entered into an

agreement with OMI on terms that are identical in all material respects with the terms of this Agreement, (b) grant any proxies or enter into any voting agreement or other arrangement with respect to any of the Shares, (c) deposit any Shares into a voting trust, or (d) (i) directly or indirectly solicit, initiate, or knowingly encourage the submission of any offer or proposal for any acquisition of any shares of Common Stock or any merger or other business combination or any similar transaction involving the Company, and (ii) directly or indirectly participate in any discussions or negotiations regarding, or furnish to any person (other than to any regulatory or judicial authority as may be required by law or regulation or judicial proceeding or to any person pursuant to court order) any information with respect to, or knowingly take any other action to facilitate any inquiries or the making of any offer or proposal that constitutes or would reasonably be expected to lead to any offer, proposal or transaction that would compete with, impede, or interfere with any OMI Transaction (as defined in Section 4.1 below) and shall not permit any investment banker, attorney, or other adviser or representative of Stelphi or any affiliate of Stelphi to do any of the foregoing.

SECTION 3.2 VOTING AGREEMENT. Stelphi agrees, to the extent permitted by law, prior to the Termination Date, (i) to attend all meetings of the shareholders of the Company, (ii) to retain all voting rights with respect to the Shares (except for transfer of Shares pursuant to Section 3.1(a) hereof) and (iii) to the extent permitted by law, at any meeting of the shareholders of the Company, however called, or in connection with any action by written consent by the shareholders of the Company, to vote all of the Shares:

(a) If the OMI Transaction is a merger or other business combination requiring a shareholder vote, in favor of the transactions contemplated by such OMI Transaction and the agreements related thereto; and

(b) Against any action or agreement that would impede, interfere with or discourage the transactions contemplated by the OMI Transaction (or attempt to do any of the foregoing), including, but not limited to: (i) any extraordinary corporate transaction, such as a merger, rights offering, reorganization, recapitalization or liquidation involving the Company or any of its subsidiaries, (ii) a sale or transfer of a material amount of assets of the Company or any of its subsidiaries or the issuance of any securities of the Company or any subsidiary, (iii) any change in the executive officers or Board of Directors of the Company or (iv) any change in the present corporate structure or business of the Company.

SECTION 3.3 TENDER OF SHARES. If the OMI Transaction is a tender and/or exchange offer recommended by the Board of Directors of the Company, Stelphi agrees to tender validly (and not to withdraw) the Shares, pursuant to and in accordance with the terms of the Offer (as defined in Section 4.1 below) and Rule 14d-2 under the Exchange Act, not later than the fifth business day after commencement of the OMI Transaction. Stelphi shall cause the Shares to remain validly tendered and not withdrawn unless and until the OMI Transaction is consummated, terminated or has expired without OMI purchasing all shares of Common Stock validly tendered in the Offer.

SECTION 3.4 TERM. The initial term of the provisions of this Article III shall be the 60 (sixty) day period commencing on the date hereof (the "Initial Term"). If, prior to the expiration of the Initial Term, the Board of Directors of the Company shall have approved a



proposed OMI Transaction, the provisions of this Article III shall be extended for a period of 90 (ninety) days from the date of expiration of the Initial Term (the "Subsequent Period"), provided that if the parties thereto are unable to consummate the OMI Transaction during such Subsequent Period as a result of pending regulatory filings and clearances and OMI continues to actively work towards the consummation of the OMI Transaction, the term of such Subsequent Period shall be extended without any additional fee becoming payable until the earliest to occur of (i) OMI terminating or canceling the OMI Transaction or (ii) the obtaining or satisfying of the requisite regulatory filings, approvals or clearances and, if as a result of the pending regulatory matters, either OMI or the Company had been unable to hold a meeting of its shareholder, the completion of such meeting. OMI shall also have the option, in the event of a competing offer, to extend the provisions of this Article III for up to an additional period of 60 (sixty) days beyond the expiration of the Subsequent Period (any such extension, the "Optional Extension Period"). In the event that the Subsequent Period has been automatically extended pursuant to the above provisions and there is a competing offer, the provisions applicable to the Optional Extension Period shall apply and the Optional Extension Fee shall be due as provided below. The foregoing notwithstanding, in no event shall the Subsequent Period and/or the Optional Extension Period in the aggregate extend beyond the date that is 7 (seven) months from the date of this Agreement.

SECTION 3.5 STANDSTILL FEES. The standstill fee for the Initial Term is \$0.50 per Share, payable by OMI by wire transfer of immediately available funds to an account specified in writing by Stelphi upon the execution of this Agreement (the "Initial Term Fee"). The standstill fee for the Subsequent Period, including all extensions thereof as described in Section 3.4 above, is \$1.00 per Share (excluding any Shares transferred by Stelphi to another entity in accordance with the provisions of Section 3.1(a) above but including any Shares acquired by Stelphi from another entity in accordance with the provisions of Section 3.1(a) above, in such case as the term "Shares" is defined in the agreement between that other entity and OMI), payable by OMI by wire transfer of immediately available funds to an account specified in writing by Stelphi promptly following the execution of a definitive agreement between the Company and OMI for the consummation of the OMI Transaction (the "Subsequent Period Fee"). The standstill fee for the Optional Extension Period is \$0.25 per Share for each month of the Optional Extension Period (excluding any Shares transferred by Stelphi to another entity in accordance with the provisions of Section 3.1(a) above but including any Shares acquired by Stelphi from another entity in accordance with the provisions of Section 3.1(a) above, in such case as the term "Shares" is defined in the agreement between that other entity and OMI), payable by OMI by wire transfer of immediately available funds to an account specified in writing by Stelphi promptly following notice from OMI of election of such extension (the "Optional Extension Period Fee" and together with the Initial Term Fee and the Subsequent Period Fee, the "Fees"). The Fees shall be non-refundable, except that (i) the Fees shall be credited and applied to the consideration payable upon the consummation of the OMI Transaction to Stelphi pursuant to the terms and conditions of the OMI Transaction, and (ii) in the event a competing offer is made during the 5 (five) month period commencing on the date hereof and no definitive agreement between the Company and OMI has been executed for the consummation of the OMI Transaction, upon consummation of a transaction with the competing offeror, OMI shall be entitled to a payment equal to the higher of (A) an amount equal to the aggregate Initial Term Fee received by Stelphi and (B) an amount equal to 25% of the excess, per share of Common Stock, of the dollar equivalent of the purchase price per share at which the

transaction is consummated over \$33.90 multiplied by the number of shares of Common Stock sold, tendered, voted or exchanged by Stelphi, as the case may be, in the transaction. Such payment shall be made by wire transfer of immediately available funds to an account specified in writing by OMI, no later than 5 (five) days after consummation of the transaction. If such purchase price is payable in stock of an entity, the dollar equivalent shall be the average closing price of the entity's stock on its principal trading market (except that if the entity has ADRs trading on the New York Stock Exchange or Nasdaq National Market, the relevant trading price shall be that of the ADRs) for the 20 (twenty) most recent trading days immediately prior to the consummation of such transaction.

SECTION 3.6 SUBSEQUENTLY ACQUIRED SHARES. Notwithstanding the use of the term "Shares" in Sections 3.1, 3.2 and 3.3 above, the provisions in this Article III shall apply to the Shares, together with (a) any additional shares of capital stock of the Company acquired by Stelphi after the date hereof and prior to the Termination Date, or that Stelphi is entitled to receive from the Company by reason of being a record holder during such period, and (b) any securities into which any such Shares or additional shares shall have been converted or changed, whether by amendment to the constituent documents of the Company, merger, consolidation or otherwise, provided that such additional shares shall not be included in the calculation of the amounts of the Fees, except as otherwise set forth in Section 3.5.

#### ARTICLE IV

##### COVENANTS

SECTION 4.1 AGREEMENT TO COMMENCE AN OMI TRANSACTION. OMI agrees that, within thirty (30) days of the date of this Agreement, OMI or a subsidiary of OMI, shall, subject to reasonable satisfaction of due diligence, offer in writing to the Company's Board of Directors (the "Offer") to acquire all shares of Common Stock either in a merger with the Company or in a tender and/or exchange offer for Common Stock, provided that any such Offer shall be subject to customary terms and conditions for such a transaction, including satisfactory completion of due diligence (each, an "OMI Transaction"). The Offer shall be at an offer price (as such offer price may be amended, the "Offer Price"), payable in OMI common stock, that will provide on a fully diluted basis to the former holders of Common Stock (including any holders of options or warrants or other rights to acquire Common Stock (on an as exercised basis)), an aggregate shareholder interest of not less than 40.5% in OMI as of the date of the consummation of the OMI Transaction. The Offer shall further provide that each holder of Common Stock shall be entitled to elect to receive up to 25% of the Offer Price in cash; provided that the maximum aggregate amount of cash to be paid shall not exceed \$175,000,000 (one hundred seventy-five million dollars). In the event that the aggregate amount of cash elected by the holders of Common Stock shall exceed this maximum amount, the cash portion to be received by each holder shall be reduced on a pro rata basis.

SECTION 4.2 REGISTRATION COVENANT. OMI agrees that, upon the written advice of outside counsel reasonably satisfactory to OMI and Stelphi that Stelphi may be deemed to be an "affiliate" of OMI for purposes of the federal securities laws following consummation of an OMI Transaction, Stelphi shall be entitled to registration rights with respect to all of the shares of OMI received by Stelphi in the OMI Transaction. Such registration rights shall be for a resale

shelf registration upon Form S-3 or any successor form thereto, upon customary terms and conditions and such other provisions as the parties shall mutually agree, provided that the plan of distribution shall not include an underwritten offering. The expenses incurred in connection with the registration shall be borne by OMI (excluding the fees of any legal counsel selected by or representing Stelphi, brokers fees and commissions and other similar fees and commissions customarily borne by Stelphi).

SECTION 4.3 REIMBURSEMENT OF CERTAIN EXPENSES. OMI agrees to reimburse Stelphi, its officers, directors, employees and agents for 50% (fifty percent) of their reasonable out-of-pocket expenses as they are incurred in connection with investigating, preparing or defending any pending or threatened claim or action or proceeding resulting from the entering into of this Agreement up to an aggregate maximum amount of \$101,000.

#### ARTICLE V

#### TERMINATION

SECTION 5.1 TERMINATION. This Agreement shall terminate upon the earliest to occur of (a) the end of the term of the Optional Extension Period, if any, or if none, the end of the term of the Subsequent Period as such may be extended pursuant to Section 3.4, or, solely in the event that the conditions for the commencement of the Subsequent Period are not satisfied, the end of the term of the Initial Term, (b) the termination of this Agreement by Stelphi upon the occurrence of a Termination Event (as defined in Section 5.1), (c) the agreement of the parties to terminate this Agreement, (d) the termination by OMI of a proposed OMI Transaction, (e) the consummation of any OMI Transaction, (f) the shareholders of the Company failing to approve an OMI Transaction by the requisite vote at any shareholders' meeting called, or pursuant to a consent circulated, for consideration and approval of such OMI Transaction, (g) in the event of a competing offer, the Board of Directors of the Company changing its recommendation to the shareholders and the shareholders of the Company either (i) failing to approve an OMI Transaction by the requisite vote at any shareholders' meeting called, or pursuant to consent circulated, for consideration and approval of such OMI Transaction, (ii) the shareholders of the Company approving the transaction contemplated by the competing offer by the requisite vote at any shareholders' meeting called, or pursuant to consent circulated, for consideration and approval of such OMI Transaction, or (iii) if no vote of the shareholders of the Company is required, the shareholders of the Company tendering or exchanging in any tender or exchange offer the number of shares of Common Stock required to close the tender or exchange offer relating to the competing offer, or failing to tender or exchange in any OMI tender or exchange offer the number of shares of Common Stock required to close such tender or exchange offer. The date on which the earliest of one of the above listed events occurs is herein referred to as the "Termination Date."

#### SECTION 5.2 TERMINATION EVENT.

(a) Any of the following events shall constitute a Termination Event for purposes of this Agreement during the Initial Term:

(i) Statement by OMI in any government or administrative proceeding or filing or any judicial proceeding, or in any written notice to Stelphi, that it has effectively abandoned its efforts to consummate an OMI Transaction; or

(ii) A material adverse change in the business, financial condition, results of operations or property of OMI and its subsidiaries taken as a whole, provided, however, that any such change resulting from any change (A) in laws, rules or regulations applicable to companies in business generally or to the shipping industry specifically, (B) in economic or business conditions generally or in the shipping industry specifically, or (C) in the securities markets in general, shall not be considered when determining if a material adverse change has occurred.

(b) The termination of the definitive merger or acquisition agreement by either OMI or the Company (or the termination of a tender/exchange offer) as a result of a material adverse change or event as defined in such agreement shall constitute a Termination Event for purposes of this Agreement during the Subsequent Period.

SECTION 5.3 EFFECT OF TERMINATION. In the event of termination of this Agreement pursuant to Section 5.1, except with respect to the payments that may be required pursuant to Section 3.5, this Agreement shall become void and have no effect, without liability on the part of any party. Nothing contained in this Article V shall relieve any party from liability for any breach of this Agreement.

#### ARTICLE VI

##### MISCELLANEOUS

SECTION 6.1 GOVERNING LAW. This Agreement shall be governed by and interpreted in accordance with the substantive laws of the State of New York and the United States of America, without regard to choice of law rules thereof.

SECTION 6.2 PUBLIC STATEMENTS. Neither Stelphi nor OMI nor any of their representatives will issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other party; provided, however, that a party may, subject to a right of the other party to review and comment, (a) make any announcement it believes in good faith after consultation with legal counsel is required by law or the rules of any stock exchange and (b) make any filings required under applicable securities laws or regulations, including but not limited to Form 4 reports and Schedule 13D filings; and provided, further, that the parties shall mutually agree upon the form, substance and timing of issuance of a mutually acceptable press release with respect to the subject matter of this Agreement.

SECTION 6.3 GREEK OPERATION AND NAME. OMI currently anticipates that the resulting business following the consummation of any OMI Transaction would have a meaningful operational presence in Greece and that the name of the resulting entity would be OMI-Stelmar Corporation.

SECTION 6.4 SUCCESSORS AND ASSIGNS. Neither this Agreement nor any of the rights or obligations under this Agreement may be assigned by any party without the prior written consent of the other parties; provided, however, that OMI may assign or delegate all or part of its rights and obligations under this Agreement to one or more direct or indirect subsidiaries or affiliates; provided, further, that any such assignment or delegation shall not relieve OMI of its obligations under this Agreement. This Agreement will be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, and no other person will have any right, benefit or obligation under this Agreement as a third party beneficiary or otherwise.

SECTION 6.5 ENTIRE AGREEMENT; AMENDMENTS. This Agreement sets forth all of the representations, warranties, covenants, agreements and understandings between Stelphi and OMI. There are no representations, warranties, covenants, agreements or understandings, either oral or written, between Stelphi and OMI other than as set forth in this Agreement. This Agreement may be amended only by written instrument duly executed by each party.

SECTION 6.6 NOTICES. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed effectively given and received (a) upon personal delivery, (b) on the fifth day following mailing by registered or certified mail return receipt requested, postage prepaid, addressed to Stelphi or OMI at their respective addresses listed below (or at such other address for a party as shall be specified by like notice; provided, that notices of a change of address shall be effective only upon receipt thereof), (c) upon confirmed transmission by facsimile (with telephonic notice), or (d) upon confirmed delivery by overnight commercial courier service:

If to Stelphi, to:           Areos 2A Street  
                                  Athens, Greece  
                                  Attention: George Karageorgiou

With a copy to:

Schiff Hardin LLP  
623 Fifth Avenue  
28th Floor  
New York, NY 10022  
Attention: Hans F. Kaeser  
Telephone No.: 212-745-0818  
Telecopy No.: 212-735-5044  
Email: hkaeser@schiffhardin.com

If to OMI, to:                OMI Corporation  
                                  One Station Place  
                                  Stamford, CT 06902  
                                  Attention: Fredric S. London  
                                  Telephone No.: 203-602-6789  
                                  Telecopy No.: 203-602-6701  
                                  Email: flondon@omicorp.com

With a copy to:  
Coudert Brothers LLP  
1114 Avenue of the Americas  
New York, New York 10036  
Attention: Robert L. Clare, III  
Telephone No.: 212-626-4218  
Telecopy No.: 212-626-4120  
Email: clarer@Coudert.com

SECTION 6.7 EXPENSES. Except as otherwise expressly provided herein, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such costs or expenses.

SECTION 6.8 INTERPRETATION. When a reference is made in this Agreement to a Section such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. The masculine, feminine or neuter gender and the singular or plural shall each be construed to include the other whenever the context indicates.

SECTION 6.9 FURTHER ASSURANCES. Each party will execute and deliver all such further documents and instruments and take all such further action as may be necessary in order to consummate the transactions contemplated hereby.

SECTION 6.10 SPECIFIC PERFORMANCE. The parties recognize and agree that if for any reason any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached, immediate and irreparable harm or injury would be caused for which money damages would not be an adequate remedy. Accordingly, each party agrees that, in addition to other remedies, the other party shall be entitled to an injunction restraining any violation or threatened violation of the provisions of this Agreement. In the event that any action should be brought in equity to enforce the provisions of the Agreement, neither party will allege, and each party hereby waives the defense, that there is adequate remedy at law.

SECTION 6.11 SURVIVAL. The representations, warranties and agreements of Stelphi and OMI in this Agreement or in any instrument delivered by them pursuant to this Agreement shall survive for 1 (one) year after the Termination Date and any investigation at any time made by or on behalf of any party hereto, except that with respect to the agreement of OMI set forth in Section 4.3, the period shall be 2 (two) years after the Termination Date.

SECTION 6.12 ADJUSTMENTS IN EVENT OF CHANGE IN COMMON STOCK. In the event of any change in the Company's Common Stock by reasons of stock dividends, stock splits, reclassifications, cash dividends, repurchases, splitups, mergers, recapitalizations, combinations, exchange of shares or the like, the type and number of shares or securities subject to the Standstill Fee and the Offer Price shall be adjusted appropriately.

SECTION 6.13 COUNTERPARTS; FACSIMILE. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. This Agreement may be executed and delivered by facsimile transmission, and a facsimile of this Agreement or of a signature of a party will be effective as an original.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement is executed and delivered by the parties as of the date first above written.

STELPHI HOLDING LTD.

By: /S/ GEORGE CHARALAMBOUS

-----  
Name: George Charalambous  
Title: Director

OMI CORPORATION

By: /S/ CRAIG H. STEVENSON, JR.

-----  
Name: Craig H. Stevenson, Jr.  
Title: Chairman of the Board and  
Chief Executive Officer

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</DOCUMENT>



## AGREEMENT

THIS AGREEMENT (the "Agreement") is made as of May 16, 2004, by and between Stelchi Holding Ltd., a Liberian corporation ("Stelchi"), and OMI Corporation, a company organized under the laws of the Republic of the Marshall Islands ("OMI").

WHEREAS, Stelchi, as of the date hereof, is the record and beneficial owner of 1,075,000 shares (the "Shares") of common stock, par value \$0.02 per share (the "Common Stock") of Stelmar Shipping Ltd., a Liberian corporation (the "Company"); and

WHEREAS, OMI desires Stelchi to agree, and Stelchi agrees, to a standstill with respect to the Shares and certain other matters as herein described, all on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements contained herein, the parties agree as follows:

## ARTICLE I

## REPRESENTATIONS AND WARRANTIES OF STELCHI

Stelchi represents and warrants to OMI as follows:

SECTION 1.1 LEGAL POWER. All corporate action on the part of Stelchi, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement has been taken. Stelchi has the requisite corporate power to enter into this Agreement, to carry out and perform its obligations under the terms of this Agreement.

SECTION 1.2 DUE EXECUTION. This Agreement has been duly authorized, executed and delivered by Stelchi and, upon due execution and delivery by OMI, this Agreement will be a valid and binding agreement of Stelchi.

SECTION 1.3 NO CONFLICT. The execution, delivery and performance of this Agreement by Stelchi will not result in any violation of, conflict with, or constitute a default under, with or without the passage of time or the giving of notice: (a) any obligation or duty of Stelchi to any other person, (b) any provision of any judgment, decree or order to which Stelchi is a party or by which it or any of its assets is bound; (c) any contract, obligation or commitment to which Stelchi is a party or by which it or any of its assets is bound; (d) any provision of its constituent documents; or (e) any applicable law, including, without limitation, any statute, rule, order, decree, treaty or governmental regulation. The execution, delivery and performance of this Agreement by Stelchi will not require any consent, approval, authorization or permit of, registration, declaration or filing (except for filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) with, or notification to, any governmental entity (except for relevant antitrust or competition authorities).

SECTION 1.4 TITLE. Stelchi is the sole record, legal and beneficial owner of the Shares, and there are no outstanding options, calls, puts, subscriptions, preemptive rights, rights

of first refusal or other agreements or commitments, obligating Stelchi to sell or transfer the Shares to any person or granting an option or right to any person to purchase or acquire from Stelchi the Shares. The Shares are free and clear of any claim, lien, pledge, option, right of first refusal, buy-sell agreement, defect in title, charge, security interest, conditional sales agreement, title retention agreement, restriction on transfer, voting agreements, voting trusts, proxies, preemptive rights (whether statutory or contractual), shareholder or similar agreements, or other restrictions or encumbrances of any nature or kind (except state and federal securities laws restrictions pertaining to the transfer of the Shares), whether voluntarily incurred or arising by operation of law, including any agreement to give any of the foregoing in the future.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES OF OMI

OMI represents and warrants to Stelchi as follows:

SECTION 2.1 LEGAL POWER. All corporate action on the part of OMI, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Agreement has been taken. OMI has the requisite corporate power to enter into this Agreement, to carry out and perform its obligations under the terms of this Agreement.

SECTION 2.2 DUE EXECUTION. This Agreement has been duly authorized, executed and delivered by OMI and, upon due execution and delivery by Stelchi, this Agreement will be a valid and binding agreement of OMI.

SECTION 2.3 NO CONFLICT. The execution, delivery and performance of this Agreement by OMI will not result in any violation of, conflict with, or constitute a default under, with or without the passage of time or the giving of notice: (a) any obligation or duty of OMI to any other person, (b) any provision of any judgment, decree or order to which OMI is a party or by which it or any of its assets is bound; (c) any contract, obligation or commitment to which OMI is a party or by which it or any of its assets is bound; (d) any provision of its constituent documents; or (e) any applicable law, including, without limitation, any statute, rule, order, decree, treaty or governmental regulation. The execution, delivery and performance of this Agreement by OMI will not require any consent, approval, authorization or permit of, registration, declaration or filing (except for filings under the U.S. federal and state securities laws) with, or notification to, any governmental entity (except for relevant antitrust or competition authorities).

## ARTICLE III

### STANDSTILL AND VOTING AGREEMENT

SECTION 3.1 STANDSTILL. Prior to the Termination Date, as defined in Section 5.1 below and except pursuant to the terms of this Agreement, Stelchi shall not (a) sell, pledge or otherwise transfer, directly or indirectly, any of the Shares nor grant any options or rights to the Shares, to any third party nor shall Stelchi, directly or indirectly, solicit or entertain offers from any third party to enter into any such transaction, provided that Stelchi may, at any time, transfer any Shares to any other entity which, as of the date of such transfer, has entered into an

agreement with OMI on terms that are identical in all material respects with the terms of this Agreement, (b) grant any proxies or enter into any voting agreement or other arrangement with respect to any of the Shares, (c) deposit any Shares into a voting trust, or (d) (i) directly or indirectly solicit, initiate, or knowingly encourage the submission of any offer or proposal for any acquisition of any shares of Common Stock or any merger or other business combination or any similar transaction involving the Company, and (ii) directly or indirectly participate in any discussions or negotiations regarding, or furnish to any person (other than to any regulatory or judicial authority as may be required by law or regulation or judicial proceeding or to any person pursuant to court order) any information with respect to, or knowingly take any other action to facilitate any inquiries or the making of any offer or proposal that constitutes or would reasonably be expected to lead to any offer, proposal or transaction that would compete with, impede, or interfere with any OMI Transaction (as defined in Section 4.1 below) and shall not permit any investment banker, attorney, or other adviser or representative of Stelchi or any affiliate of Stelchi to do any of the foregoing.

SECTION 3.2 VOTING AGREEMENT. Stelchi agrees, to the extent permitted by law, prior to the Termination Date, (i) to attend all meetings of the shareholders of the Company, (ii) to retain all voting rights with respect to the Shares (except for transfer of Shares pursuant to Section 3.1(a) hereof) and (iii) to the extent permitted by law, at any meeting of the shareholders of the Company, however called, or in connection with any action by written consent by the shareholders of the Company, to vote all of the Shares:

(a) If the OMI Transaction is a merger or other business combination requiring a shareholder vote, in favor of the transactions contemplated by such OMI Transaction and the agreements related thereto; and

(b) Against any action or agreement that would impede, interfere with or discourage the transactions contemplated by the OMI Transaction (or attempt to do any of the foregoing), including, but not limited to: (i) any extraordinary corporate transaction, such as a merger, rights offering, reorganization, recapitalization or liquidation involving the Company or any of its subsidiaries, (ii) a sale or transfer of a material amount of assets of the Company or any of its subsidiaries or the issuance of any securities of the Company or any subsidiary, (iii) any change in the executive officers or Board of Directors of the Company or (iv) any change in the present corporate structure or business of the Company.

SECTION 3.3 TENDER OF SHARES. If the OMI Transaction is a tender and/or exchange offer recommended by the Board of Directors of the Company, Stelchi agrees to tender validly (and not to withdraw) the Shares, pursuant to and in accordance with the terms of the Offer (as defined in Section 4.1 below) and Rule 14d-2 under the Exchange Act, not later than the fifth business day after commencement of the OMI Transaction. Stelchi shall cause the Shares to remain validly tendered and not withdrawn unless and until the OMI Transaction is consummated, terminated or has expired without OMI purchasing all shares of Common Stock validly tendered in the Offer.

SECTION 3.4 TERM. The initial term of the provisions of this Article III shall be the 60 (sixty) day period commencing on the date hereof (the "Initial Term"). If, prior to the expiration of the Initial Term, the Board of Directors of the Company shall have approved a

proposed OMI Transaction, the provisions of this Article III shall be extended for a period of 90 (ninety) days from the date of expiration of the Initial Term (the "Subsequent Period"), provided that if the parties thereto are unable to consummate the OMI Transaction during such Subsequent Period as a result of pending regulatory filings and clearances and OMI continues to actively work towards the consummation of the OMI Transaction, the term of such Subsequent Period shall be extended without any additional fee becoming payable until the earliest to occur of (i) OMI terminating or canceling the OMI Transaction or (ii) the obtaining or satisfying of the requisite regulatory filings, approvals or clearances and, if as a result of the pending regulatory matters, either OMI or the Company had been unable to hold a meeting of its shareholder, the completion of such meeting. OMI shall also have the option, in the event of a competing offer, to extend the provisions of this Article III for up to an additional period of 60 (sixty) days beyond the expiration of the Subsequent Period (any such extension, the "Optional Extension Period"). In the event that the Subsequent Period has been automatically extended pursuant to the above provisions and there is a competing offer, the provisions applicable to the Optional Extension Period shall apply and the Optional Extension Fee shall be due as provided below. The foregoing notwithstanding, in no event shall the Subsequent Period and/or the Optional Extension Period in the aggregate extend beyond the date that is 7 (seven) months from the date of this Agreement.

SECTION 3.5 STANDSTILL FEES. The standstill fee for the Initial Term is \$0.50 per Share, payable by OMI by wire transfer of immediately available funds to an account specified in writing by Stelchi upon the execution of this Agreement (the "Initial Term Fee"). The standstill fee for the Subsequent Period, including all extensions thereof as described in Section 3.4 above, is \$1.00 per Share (excluding any Shares transferred by Stelchi to another entity in accordance with the provisions of Section 3.1(a) above but including any Shares acquired by Stelchi from another entity in accordance with the provisions of Section 3.1(a) above, in such case as the term "Shares" is defined in the agreement between that other entity and OMI), payable by OMI by wire transfer of immediately available funds to an account specified in writing by Stelchi promptly following the execution of a definitive agreement between the Company and OMI for the consummation of the OMI Transaction (the "Subsequent Period Fee"). The standstill fee for the Optional Extension Period is \$0.25 per Share for each month of the Optional Extension Period (excluding any Shares transferred by Stelchi to another entity in accordance with the provisions of Section 3.1(a) above but including any Shares acquired by Stelchi from another entity in accordance with the provisions of Section 3.1(a) above, in such case as the term "Shares" is defined in the agreement between that other entity and OMI), payable by OMI by wire transfer of immediately available funds to an account specified in writing by Stelchi promptly following notice from OMI of election of such extension (the "Optional Extension Period Fee" and together with the Initial Term Fee and the Subsequent Period Fee, the "Fees"). The Fees shall be non-refundable, except that (i) the Fees shall be credited and applied to the consideration payable upon the consummation of the OMI Transaction to Stelchi pursuant to the terms and conditions of the OMI Transaction, and (ii) in the event a competing offer is made during the 5 (five) month period commencing on the date hereof and no definitive agreement between the Company and OMI has been executed for the consummation of the OMI Transaction, upon consummation of a transaction with the competing offeror, OMI shall be entitled to a payment equal to the higher of (A) an amount equal to the aggregate Initial Term Fee received by Stelchi and (B) an amount equal to 25% of the excess, per share of Common Stock, of the dollar equivalent of the purchase price per share at which the

transaction is consummated over \$33.90 multiplied by the number of shares of Common Stock sold, tendered, voted or exchanged by Stelchi, as the case may be, in the transaction. Such payment shall be made by wire transfer of immediately available funds to an account specified in writing by OMI, no later than 5 (five) days after consummation of the transaction. If such purchase price is payable in stock of an entity, the dollar equivalent shall be the average closing price of the entity's stock on its principal trading market (except that if the entity has ADRs trading on the New York Stock Exchange or Nasdaq National Market, the relevant trading price shall be that of the ADRs) for the 20 (twenty) most recent trading days immediately prior to the consummation of such transaction.

SECTION 3.6 SUBSEQUENTLY ACQUIRED SHARES. Notwithstanding the use of the term "Shares" in Sections 3.1, 3.2 and 3.3 above, the provisions in this Article III shall apply to the Shares, together with (a) any additional shares of capital stock of the Company acquired by Stelchi after the date hereof and prior to the Termination Date, or that Stelchi is entitled to receive from the Company by reason of being a record holder during such period, and (b) any securities into which any such Shares or additional shares shall have been converted or changed, whether by amendment to the constituent documents of the Company, merger, consolidation or otherwise, provided that such additional shares shall not be included in the calculation of the amounts of the Fees, except as otherwise set forth in Section 3.5.

#### ARTICLE IV

##### COVENANTS

SECTION 4.1 AGREEMENT TO COMMENCE AN OMI TRANSACTION. OMI agrees that, within thirty (30) days of the date of this Agreement, OMI or a subsidiary of OMI, shall, subject to reasonable satisfaction of due diligence, offer in writing to the Company's Board of Directors (the "Offer") to acquire all shares of Common Stock either in a merger with the Company or in a tender and/or exchange offer for Common Stock, provided that any such Offer shall be subject to customary terms and conditions for such a transaction, including satisfactory completion of due diligence (each, an "OMI Transaction"). The Offer shall be at an offer price (as such offer price may be amended, the "Offer Price"), payable in OMI common stock, that will provide on a fully diluted basis to the former holders of Common Stock (including any holders of options or warrants or other rights to acquire Common Stock (on an as exercised basis)), an aggregate shareholder interest of not less than 40.5% in OMI as of the date of the consummation of the OMI Transaction. The Offer shall further provide that each holder of Common Stock shall be entitled to elect to receive up to 25% of the Offer Price in cash; provided that the maximum aggregate amount of cash to be paid shall not exceed \$175,000,000 (one hundred seventy-five million dollars). In the event that the aggregate amount of cash elected by the holders of Common Stock shall exceed this maximum amount, the cash portion to be received by each holder shall be reduced on a pro rata basis.

SECTION 4.2 REGISTRATION COVENANT. OMI agrees that, upon the written advice of outside counsel reasonably satisfactory to OMI and Stelchi that Stelchi may be deemed to be an "affiliate" of OMI for purposes of the federal securities laws following consummation of an OMI Transaction, Stelchi shall be entitled to registration rights with respect to all of the shares of OMI received by Stelchi in the OMI Transaction. Such registration rights shall be for a resale

shelf registration upon Form S-3 or any successor form thereto, upon customary terms and conditions and such other provisions as the parties shall mutually agree, provided that the plan of distribution shall not include an underwritten offering. The expenses incurred in connection with the registration shall be borne by OMI (excluding the fees of any legal counsel selected by or representing Stelchi, brokers fees and commissions and other similar fees and commissions customarily borne by Stelchi).

SECTION 4.3 REIMBURSEMENT OF CERTAIN EXPENSES. OMI agrees to reimburse Stelchi, its officers, directors, employees and agents for 50% (fifty percent) of their reasonable out-of-pocket expenses as they are incurred in connection with investigating, preparing or defending any pending or threatened claim or action or proceeding resulting from the entering into of this Agreement up to an aggregate maximum amount of \$45,000.

#### ARTICLE V

#### TERMINATION

SECTION 5.1 TERMINATION. This Agreement shall terminate upon the earliest to occur of (a) the end of the term of the Optional Extension Period, if any, or if none, the end of the term of the Subsequent Period as such may be extended pursuant to Section 3.4, or, solely in the event that the conditions for the commencement of the Subsequent Period are not satisfied, the end of the term of the Initial Term, (b) the termination of this Agreement by Stelchi upon the occurrence of a Termination Event (as defined in Section 5.1), (c) the agreement of the parties to terminate this Agreement, (d) the termination by OMI of a proposed OMI Transaction, (e) the consummation of any OMI Transaction, (f) the shareholders of the Company failing to approve an OMI Transaction by the requisite vote at any shareholders' meeting called, or pursuant to a consent circulated, for consideration and approval of such OMI Transaction, (g) in the event of a competing offer, the Board of Directors of the Company changing its recommendation to the shareholders and the shareholders of the Company either (i) failing to approve an OMI Transaction by the requisite vote at any shareholders' meeting called, or pursuant to consent circulated, for consideration and approval of such OMI Transaction, (ii) the shareholders of the Company approving the transaction contemplated by the competing offer by the requisite vote at any shareholders' meeting called, or pursuant to consent circulated, for consideration and approval of such OMI Transaction, or (iii) if no vote of the shareholders of the Company is required, the shareholders of the Company tendering or exchanging in any tender or exchange offer the number of shares of Common Stock required to close the tender or exchange offer relating to the competing offer, or failing to tender or exchange in any OMI tender or exchange offer the number of shares of Common Stock required to close such tender or exchange offer. The date on which the earliest of one of the above listed events occurs is herein referred to as the "Termination Date."

#### SECTION 5.2 TERMINATION EVENT.

(a) Any of the following events shall constitute a Termination Event for purposes of this Agreement during the Initial Term:

(i) Statement by OMI in any government or administrative proceeding or filing or any judicial proceeding, or in any written notice to Stelchi, that it has effectively abandoned its efforts to consummate an OMI Transaction; or

(ii) A material adverse change in the business, financial condition, results of operations or property of OMI and its subsidiaries taken as a whole, provided, however, that any such change resulting from any change (A) in laws, rules or regulations applicable to companies in business generally or to the shipping industry specifically, (B) in economic or business conditions generally or in the shipping industry specifically, or (C) in the securities markets in general, shall not be considered when determining if a material adverse change has occurred.

(b) The termination of the definitive merger or acquisition agreement by either OMI or the Company (or the termination of a tender/exchange offer) as a result of a material adverse change or event as defined in such agreement shall constitute a Termination Event for purposes of this Agreement during the Subsequent Period.

SECTION 5.3 EFFECT OF TERMINATION. In the event of termination of this Agreement pursuant to Section 5.1, except with respect to the payments that may be required pursuant to Section 3.5, this Agreement shall become void and have no effect, without liability on the part of any party. Nothing contained in this Article V shall relieve any party from liability for any breach of this Agreement.

#### ARTICLE VI

##### MISCELLANEOUS

SECTION 6.1 GOVERNING LAW. This Agreement shall be governed by and interpreted in accordance with the substantive laws of the State of New York and the United States of America, without regard to choice of law rules thereof.

SECTION 6.2 PUBLIC STATEMENTS. Neither Stelchi nor OMI nor any of their representatives will issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the other party; provided, however, that a party may, subject to a right of the other party to review and comment, (a) make any announcement it believes in good faith after consultation with legal counsel is required by law or the rules of any stock exchange and (b) make any filings required under applicable securities laws or regulations, including but not limited to Form 4 reports and Schedule 13D filings; and provided, further, that the parties shall mutually agree upon the form, substance and timing of issuance of a mutually acceptable press release with respect to the subject matter of this Agreement.

SECTION 6.3 GREEK OPERATION AND NAME. OMI currently anticipates that the resulting business following the consummation of any OMI Transaction would have a meaningful operational presence in Greece and that the name of the resulting entity would be OMI-Stelmar Corporation.

SECTION 6.4 SUCCESSORS AND ASSIGNS. Neither this Agreement nor any of the rights or obligations under this Agreement may be assigned by any party without the prior written consent of the other parties; provided, however, that OMI may assign or delegate all or part of its rights and obligations under this Agreement to one or more direct or indirect subsidiaries or affiliates; provided, further, that any such assignment or delegation shall not relieve OMI of its obligations under this Agreement. This Agreement will be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns, and no other person will have any right, benefit or obligation under this Agreement as a third party beneficiary or otherwise.

SECTION 6.5 ENTIRE AGREEMENT; AMENDMENTS. This Agreement sets forth all of the representations, warranties, covenants, agreements and understandings between Stelchi and OMI. There are no representations, warranties, covenants, agreements or understandings, either oral or written, between Stelchi and OMI other than as set forth in this Agreement. This Agreement may be amended only by written instrument duly executed by each party.

SECTION 6.6 NOTICES. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed effectively given and received (a) upon personal delivery, (b) on the fifth day following mailing by registered or certified mail return receipt requested, postage prepaid, addressed to Stelchi or OMI at their respective addresses listed below (or at such other address for a party as shall be specified by like notice; provided, that notices of a change of address shall be effective only upon receipt thereof), (c) upon confirmed transmission by facsimile (with telephonic notice), or (d) upon confirmed delivery by overnight commercial courier service:

If to Stelchi, to:           Areos 2A Street  
                                  Athens, Greece  
                                  Attention: George Karageorgiou

With a copy to:

Schiff Hardin LLP  
623 Fifth Avenue  
28th Floor  
New York, NY 10022  
Attention: Hans F. Kaeser  
Telephone No.: 212-745-0818  
Telecopy No.:           212-735-5044  
Email: hkaeser@schiffhardin.com

If to OMI, to:                OMI Corporation  
                                  One Station Place  
                                  Stamford, CT 06902  
                                  Attention: Fredric S. London  
                                  Telephone No.: 203-602-6789  
                                  Telecopy No.:           203-602-6701  
                                  Email: flondon@omicorp.com



With a copy to:  
Coudert Brothers LLP  
1114 Avenue of the Americas  
New York, New York 10036  
Attention: Robert L. Clare, III  
Telephone No.: 212-626-4218  
Telecopy No.: 212-626-4120  
Email: clarer@Coudert.com

SECTION 6.7 EXPENSES. Except as otherwise expressly provided herein, all costs and expenses incurred in connection with the transactions contemplated by this Agreement shall be paid by the party incurring such costs or expenses.

SECTION 6.8 INTERPRETATION. When a reference is made in this Agreement to a Section such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The descriptive headings herein are inserted for convenience of reference only and are not intended to be part of or to affect the meaning or interpretation of this Agreement. The masculine, feminine or neuter gender and the singular or plural shall each be construed to include the other whenever the context indicates.

SECTION 6.9 FURTHER ASSURANCES. Each party will execute and deliver all such further documents and instruments and take all such further action as may be necessary in order to consummate the transactions contemplated hereby.

SECTION 6.10 SPECIFIC PERFORMANCE. The parties recognize and agree that if for any reason any of the provisions of this Agreement are not performed in accordance with their specific terms or are otherwise breached, immediate and irreparable harm or injury would be caused for which money damages would not be an adequate remedy. Accordingly, each party agrees that, in addition to other remedies, the other party shall be entitled to an injunction restraining any violation or threatened violation of the provisions of this Agreement. In the event that any action should be brought in equity to enforce the provisions of the Agreement, neither party will allege, and each party hereby waives the defense, that there is adequate remedy at law.

SECTION 6.11 SURVIVAL. The representations, warranties and agreements of Stelchi and OMI in this Agreement or in any instrument delivered by them pursuant to this Agreement shall survive for 1 (one) year after the Termination Date and any investigation at any time made by or on behalf of any party hereto, except that with respect to the agreement of OMI set forth in Section 4.3, the period shall be 2 (two) years after the Termination Date.

SECTION 6.12 ADJUSTMENTS IN EVENT OF CHANGE IN COMMON STOCK. In the event of any change in the Company's Common Stock by reasons of stock dividends, stock splits, reclassifications, cash dividends, repurchases, splitups, mergers, recapitalizations, combinations, exchange of shares or the like, the type and number of shares or securities subject to the Standstill Fee and the Offer Price shall be adjusted appropriately.

SECTION 6.13 COUNTERPARTS; FACSIMILE. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. This Agreement may be executed and delivered by facsimile transmission, and a facsimile of this Agreement or of a signature of a party will be effective as an original.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, this Agreement is executed and delivered by the parties as of the date first above written.

STELCHI HOLDING LTD.

By: /S/ GEORGE KARAGEORGIU

-----  
Name: George Karageorgiou  
Title: Director

OMI CORPORATION

By: /S/ CRAIG H. STEVENSON, JR.

-----  
Name: Craig H. Stevenson, Jr.  
Title: Chairman of the Board and  
Chief Executive Officer

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[Letterhead of OMI Corporation]

VIA FACSIMILE  
011-44-20-7653-1115

May 20, 2004

Nicholas Hartley  
Chairman of the Board of Directors  
Stelmar Tankers (UK) Ltd.  
76 Watling Street  
London EC4M 9BJ  
England, United Kingdom

Dear Nick:

It was a pleasure meeting with you yesterday and I appreciate you making the time available for us on such short notice. I thought our time together was productive, and I hope you have a similar view.

In response to your suggestion, I am setting forth herein our proposal to combine OMI Corporation ("OMI") with Stelmar Shipping Ltd. ("Stelmar"). As I indicated to you in our meeting yesterday, I believe the combination is compelling strategically, operationally and financially and is in the best interests of our respective shareholders.

The combined company would have a significant presence in crude and clean tanker markets and would operate one of the youngest fleets in the industry. Moreover, our combined size would increase our operational flexibility for our product tanker fleet and the combined business would benefit from both a broader customer relationship base and a more balanced charter mix. Lastly, our respective shareholders would enjoy significant capital markets benefits from the transaction, including: higher public float, greater trading liquidity and potentially broader research sponsorship.

Based solely upon our review of publicly available information, we would propose to combine OMI and Stelmar in a stock-for-stock merger in which shareholders of Stelmar would own 40.5% of the combined company on a fully diluted basis in an all stock transaction. Based upon the latest publicly available information, this would result in each shareholder of Stelmar receiving approximately 3.1 shares of OMI for each share of Stelmar.

Based upon OMI's closing price of \$10.91 as of May 14, 2004, the last trading day prior to our interest in a combination with Stelmar becoming publicly known, this would imply a premium of approximately 35%. We also would be prepared to provide up to 25% of the stock consideration in cash. The funding for this portion of the consideration would come from OMI's existing cash reserves and credit facilities.

We believe there is significant franchise value in each of our trading names and we would propose leveraging that value by using both our names for the combined business. Our proposal would be "OMI-Stelmar Corporation." The headquarters for the new business would be in Connecticut, USA. However, we believe there is significant value in Stelmar's technical capabilities, and therefore, the new business would have a meaningful presence in Athens, Greece.

Our proposal is subject to customary due diligence, including but not limited to, a review of Stelmar's historical and projected financial statements, newbuild commitments, time charter contracts, vessels, operations and debt and other obligations. We also understand that given the stock nature of our proposal that you and your team would need to conduct similar due diligence on OMI. We are prepared to commence the mutual due diligence effort in a manner and in a time period you deem appropriate.

Again, I believe this proposal is compelling. It represents compelling value for the Stelmar shareholders by providing immediate value creation through an attractive premium to the current market price and perhaps more importantly, it provides Stelmar shareholders an opportunity to benefit from the increased earnings power and enhanced strategic position of the new, combined business.

Please understand that this letter is being sent to you for review and consideration by you and the Stelmar board and, consequently, is not legally binding on either party. This proposal is subject to reaching an agreement on all material terms, the finalization of a formal contract and the satisfactory completion of the due diligence process.

We have reviewed this opportunity with our board of directors and they have authorized us to proceed with this transaction consistent with the terms described above. We are prepared to move forward expeditiously and we and our legal and financial advisors are prepared to begin work immediately. We believe with your cooperation we could conclude the diligence process and reach a definitive agreement within two weeks.

I look forward to hearing from you and hope that we can work together toward completing a successful transaction. If you have any questions on this offer, please do not hesitate to contact me immediately.

Sincerely,

/s/ Craig H. Stevenson, Jr.  
Craig H. Stevenson, Jr.

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